



# Hong Kong Johnson Holdings Co., Ltd.

## 香港莊臣控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

Stock Code : 1955

# 2020/2021

ANNUAL REPORT



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# Chairman's Statement



Dear Shareholders,

On behalf of the Group and the Board, I am delighted to present the annual results of the Group for the Year.

During the year under review, like most industries, the Group experienced tough times. COVID-19 pandemic has been ravaging the globe. To contain the spread of the virus as well as maintain ordinary economic activities, the government and different sectors of the community have strengthened preventive measures. The Company remained committed to its business during the epidemic as it continued to provide professional quality environmental hygiene services to its customers. Even though the Company faces the pressure from the global economic downturn and a challenging environment filled with uncertainties, it remains dedicated to serve its customers and strive to improve its professional service standards in providing various types of customised quality environmental hygiene services to a wider range of customers.

## MARKET REVIEW

In 2020, the world economy has suffered from the impact of the epidemic of COVID-19. Hong Kong is no exception. Numerous companies have gone out of business, collapsed or left Hong Kong. Unemployment rate has climbed to 7.2%, a 17-year high.

The epidemic resulted in various uncertainties in the economy of Hong Kong during the Year. Nonetheless, the general public remained highly conscious of disease prevention. Demand for environmental hygiene services also increased. Accordingly, preventive measures were significantly strengthened in various government departments, private buildings, parks and recreation centres, roads and educational institutes. As a result, the Group experienced considerable growth in revenue during the year under review.

*Johnson Holdings provides cleaning services for a number of large public venues in Hong Kong*



## Chairman's Statement (Continued)



### RESULTS REVIEW

During the year under review, the Group recorded a revenue of approximately HK\$2,767.5 million, compared with HK\$1,785.0 million for the corresponding period of last year, representing an increase of approximately 55.0%. Profit for the year amounted to approximately HK\$188.5 million, compared with HK\$28.5 million for the corresponding period of last year, representing an increase of approximately 561.4%. Gross profit recorded to approximately HK\$283.8 million, compared with HK\$121.1 million for the corresponding period of last year, representing an increase of approximately 134.4%. During the year under review, revenue generated from government sector customers amounted to approximately HK\$2,152.8 million, compared with HK\$1,196.6 million for the corresponding period of last year, representing an increase of 79.9%. Revenue generated from non-government sectors amounted to approximately HK\$614.7 million, compared with HK\$588.4 million for the corresponding period of last year, representing an increase of 4.5%. In consequence of the epidemic of COVID-19 during 2020, as one of the major environmental hygiene service providers in Hong Kong, the increment of revenue is mainly attributable to the soaring demand of environmental hygiene service from the community.



*The outbreak of COVID-19 raised awareness of cleanliness and hygiene among the general public*

### BUSINESS STRATEGY

In view of the Group's aim to become an integrated environmental hygiene service provider, the Group incorporated Johnson Environmental and i-CLEAN LIMITED in April 2020, formally commencing the garbage logistics business and provision of innovative technology products and equipment related to environmental hygiene services to customers. In future, building on the Group's leading position in the cleaning industry, we will increase efforts in developing the garbage logistics business and distribution agency business of distributing innovative technology products related to environmental hygiene, in order to enhance synergy between business segments and expand the Group's scope of business. Meanwhile, we also actively explore merger and acquisition opportunities and strategic cooperation partners in Hong Kong, in order to tap into the Group's advantages in the industry and speed up new business development, in turn expanding the Group's principal businesses, optimise business structure, raise competitiveness and secure market share, which will provide impetus for growth of the Group's business and revenue.



*The first outdoor cleaning robot was introduced to our business – an industry first*

*We are the exclusive distributor of "sd Labs" surface coating products, which have been reportedly proven to be effective in killing the COVID-19 virus and a number of other viruses*



## Chairman's Statement (Continued)



### Garbage logistics business

Under the impact of the epidemic, Hong Kong's general economy declined significantly as compared to the previous year. Nonetheless, demand from our customers for cleaning, environmental protection and waste collection services have increased. Accordingly, within a short span of one year, the Group has built its own professional garbage logistics fleet to provide our customers with comprehensive waste management services and integrated solutions. During the year under review, the Group secured its first ever government garbage logistics services contract since its establishment, heralding our initial success and providing strong encouragement. Looking ahead, besides investing resources into expanding our fleet, we will also continue to improve waste collection and handling models, and actively research possibilities in waste recycling to transform waste into resources.



*The first low entry refuse collection vehicle in Hong Kong, which helps to ensure public safety and the wellbeing of our staff.*



*During the Year, Johnson Environmental achieved encouraging progress by securing the first government waste collection service contract of the Group*

## Chairman's Statement (Continued)

### Distribution agency business

During the epidemic, we provided high quality innovative technology cleaning and sanitising products to various customers, such as fully automatic smart cleaning robots and antibacterial coating services, to help our customers fight the virus together. The Group will continue to bring in innovative cleaning and sanitising products and smart equipment to enhance the Group's overall service efficiency and quality. In future, we will also continue to seek suitable suppliers and secure sole distribution agency rights to their innovative technology products. Meanwhile, we will include suitable innovative technology product services in the Group's cleaning tenders as value-added services, as we focus on building the Group's professional, smart and innovative technology image.

### PROSPECTS

The outbreak of COVID-19 pandemic since early 2020 has severely affected the world, resulting in economic slowdowns across countries and operational uncertainties for companies. We will continue to remain on high alert and actively address the impact of the epidemic on our business and financial position, and take various measures to safeguard the healthy and safety of our workers and ensure smooth and stable operations.

2021 marks the first year of China's 14th Five-Year Plan. The Group will continue to respond to China's innovation and green development ideal and actively introduce green technology as well as promote professional, innovative and high-tech services. With strong resource support from our Shareholders, on one hand we will continue to drive the development of the Group's mature core cleaning business to strengthen our revenue base, and on the other hand enhance resources for focused development on garbage logistics business and distribution agency



*Equipped with "Technology+", we are committed to becoming a leading provider of smart urban cleaning services*

## Chairman's Statement (Continued)

*Our frontline workers receive professional trainings regularly, so as to provide high standard cleaning services*



business to create a driving force for the Group's future business development. To further optimise the Group's regional business structure, the Group will actively seek development opportunities in the Greater Bay Area and gradually expand its business from Hong Kong to Mainland China, with an aim to become a GBA-based leading environmental hygiene service provider in China.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express gratitude to the Group's management team and staff for their dedication, as well as our Shareholders, investors and business partners' support and trust. Looking ahead, we will proactively seize business opportunities and developments to maximize the returns of our Shareholders.

**XU Jili**

*Chairman of the Board*

Hong Kong, 29 June 2021



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHEUNG Kam Chiu (*Co-chief executive officer*)

Mr. SZETO Wing Tak (*Co-chief executive officer*)

### Non-executive Directors

Ms. XU Jili (*Chairman*)

Ms. LI Yanmei

Mr. XIE Hui

Mr. YE Ning

Ms. LEE Wing Yee Loretta

Ms. WONG Ling Fong Lisa

Mr. ZHOU Wenjie

### Independent non-executive Directors

Mr. FAN Chiu Tat Martin

Dr. GUAN Yuyan

Mr. HONG Kam Le

Mr. LEUNG Siu Hong

Ms. RU Tingting

## BOARD COMMITTEES

### Audit Committee

Mr. FAN Chiu Tat Martin (*Chairman*)

Ms. RU Tingting

Mr. LEUNG Siu Hong

### Remuneration Committee

Mr. LEUNG Siu Hong (*Chairman*)

Dr. GUAN Yuyan

Ms. RU Tingting

### Nomination Committee

Ms. RU Tingting (*Chairman*)

Dr. GUAN Yuyan

Mr. HONG Kam Le

## AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. CHEUNG Kam Chiu

Ms. LEE Mei Yi (*FCG, FCS(PE)*)

## JOINT COMPANY SECRETARIES

Mr. LI Zhuang

Ms. LEE Mei Yi (*FCG, FCS(PE)*)

## LEGAL ADVISERS

*As to Hong Kong law*

Bird & Bird

*As to Cayman Islands law*

Harney Westwood & Riegels

## Corporate Information (Continued)

### COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited

### INDEPENDENT AUDITOR

RSM Hong Kong

*Certified Public Accountants, Hong Kong*

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

DBS Bank (Hong Kong) Limited

### REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited

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103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

### CAYMAN ISLANDS PRINCIPAL REGISTRAR OFFICE

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103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### STOCK CODE

1955

### INVESTOR RELATIONS CONSULTANT

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Unit 3007, 30/F.

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Kowloon, Hong Kong

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### WEBSITE

[www.johnsonholdings.com](http://www.johnsonholdings.com)





# Management Discussion and Analysis

## RESULTS

The Group is a leading environmental hygiene service provider which provides a wide range of environmental hygiene services to all major districts throughout Hong Kong, including provision of cleaning services for buildings, parks, recreation centers, streets and institutions, as well as other cleaning services.

The Group recorded a revenue of approximately HK\$2,767.5 million for the year ended 31 March 2021, representing an increase of 55.0% compared with that of last year. The Group's overall gross profit margin increased from approximately 6.8% to approximately 10.3%, which was mainly due to the successful cost control measures implemented by the Group and the changing of its tendering approach to focus on more profitable contracts.

Profit for the year increased by approximately HK\$160.0 million or 561.4% from approximately HK\$28.5 million for the year ended 31 March 2020 to approximately HK\$188.5 million for the year ended 31 March 2021. The increase was mainly due to the increase in gross profit by approximately HK\$162.7 million from our services and the receipt of wage subsidies from the government's anti-epidemic fund scheme, partly offset by the increase in administrative expenses and income tax expenses.

## BUSINESS REVIEW AND PROSPECTS

Since the unfortunate global outbreak of COVID-19 pandemic in early 2020, all sectors of society have strengthened their anti-epidemic requirements in a targeted manner against the spread of the pandemic. Leveraging on the extensive experience of its management team to rapidly deploy operating resources and coordinate frontline employees, the Group has been able to ensure stable operation while meeting the demand of different clients for cleaning services. Extra staff were employed on an ongoing basis during the epidemic, as we committed ourselves to providing clients with tailor-made high-quality environmental hygiene services. Furthermore, to address the threat of infectious diseases and ensure the safety of its frontline employees, the Group has made further risk assessments on daily operations and taken a range of actions, including provision of work guidelines to strengthen frontline employees' knowledge on protection and prevention as well as their awareness of preventing infectious diseases. We also strive to provide frontline employees with adequate personal protective equipment, disinfection tools and supplies for routine cleaning and disinfection. Therefore, with the efforts of our excellent team and our well-established goodwill, the Group successfully secured more service contracts during the year, especially those from the government, which drove the major growth of our business within the year and helped the Group's performance to reach a historic pinnacle.

Since the incorporation of Johnson Environmental and i-CLEAN LIMITED, the Group has been actively developing its garbage logistics business and distribution agency business for distributing innovative technological products and equipment pertaining to environmental hygiene services.

## Management Discussion and Analysis (Continued)



Regarding the garbage logistics business, the Group launched its garbage logistics service by undertaking the solid waste recycling service contracts from its existing clients. Since then, it managed to secure the first five-year garbage collection service contract from the government during the year. For merely a year, the Group has formed its specialized vehicles fleet and expanded it from 300 vehicles to nearly 400 vehicles, including specialized ones such as grab tippers, water wagons and garbage compactor vehicles. In response to environmental protection, the Group will prioritize the purchase of vehicles with higher efficiency and less air polluting, especially Euro VI vehicles. The Group also self-developed a fleet management system for centralized management of its massive fleet. The system will track the activities of the Group's vehicles, assist in arranging routes and deploy the vehicles flexibly, so as to plan the work schedule and use the vehicles more efficiently, thereby minimizing fuel consumption and exhaust emission.

Regarding the distribution agency business, the Group endeavors to supply products and equipment with innovative technology for environmental hygiene services, such as fully automatic smart cleaning robots and antibacterial coating services, to accommodate the needs of our clients. At the same time, we have strategically introduced innovative technology products as value-added service to our tendering projects, to improve our service quality and enable the Group to secure more service contracts. On the other hand, innovative technology products effectively enhance service automation, thus reducing manpower and improving service efficiency. Going forward, the Group will continue to introduce more innovative technology products and equipment for environmental hygiene services, in order to provide our clients with more diversified services.

The Group is committed to maintaining the steady growth of its overall business as well as exploration and innovation. Relying on the Group's industry leading position in the hygiene services market in Hong Kong, the Group will actively develop its garbage logistics business and distribution agency business, to further expand the Group's scope of business. At the same time, the Group will proactively seek for opportunities for merger and acquisition in Hong Kong with a view to accelerating its overall business growth and cement its presence in local markets. Further, we will complement the National 14th Five-Year Plan by actively studying the opportunities in the environmental hygiene services market in the Greater Bay Area, to capture business opportunities for expanding our business as and when appropriate.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the years ended 31 March 2021 and 2020 were approximately HK\$2,767.5 million and HK\$1,785.0 million respectively, representing an increase of approximately 55.0%. The increase was mainly due to the increase in revenue generated from our government sector customers.

### Cost of services

The cost of services primarily comprised of labour costs, cleaning materials costs and motor vehicles expenses. For the years ended 31 March 2021 and 2020, the cost of services amounted to approximately HK\$2,483.6 million and HK\$1,663.8 million respectively, representing approximately 89.7% and 93.2% of the Group's revenue for the corresponding years respectively. The percentage of cost of services to the Group's revenue decreased by approximately 3.5% as the Group was successful in implementing cost control measures and changing its tendering approach to focus on more profitable contracts.



## Management Discussion and Analysis (Continued)

### Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2021 was approximately HK\$283.8 million, representing an increase of approximately HK\$162.7 million or 134.4% from approximately HK\$121.1 million for the corresponding year in 2020. The increase was mainly due to the increase in revenue and gross profit margin.

The gross profit margins of the Group for the years ended 31 March 2021 and 2020 were approximately 10.3% and 6.8% respectively. As mentioned above, the increase in gross profit margin was mainly attributable to better cost control measures implemented by the Group and the changing of its tendering approach to focus on more profitable contracts. Therefore, the increment in revenue was higher than that in cost of services which resulted in the increase of gross profit margin.

### Government subsidies from Employment Support Scheme of Hong Kong Special Administrative Region

During the year ended 31 March 2021, the Group received wage subsidies of HK\$51.5 million (2020: Nil) from the government's Employment Support Scheme under the anti-epidemic fund scheme.

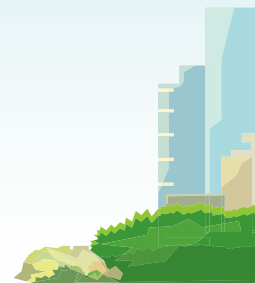
### Administrative expenses

The administrative expenses of the Group for the years ended 31 March 2021 and 2020 were approximately HK\$116.8 million and HK\$75.0 million respectively. The increase was mainly due to the increase of directors' bonus together with increase of employee expenses, administrative expenses and professional fees after the Company's successful listing on the Main Board of the Stock Exchange on 16 October 2019, partly offset by the absence of listing expenses during the Year. The Group continued to implement its budget cost control measures for administrative expenses during the Year.

### Finance costs

The finance costs represented primarily the interest expenses on bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$9.7 million and HK\$10.4 million for the years ended 31 March 2021 and 2020 respectively, representing approximately 0.4% and 0.6% of the Group's total revenue respectively. The decrease was mainly due to the decrease of average interest rate together with enhanced treasury management efficiency.

## Management Discussion and Analysis (Continued)



### Profit for the year attributable to equity shareholders of the Company

The Group's profit for the year attributable to equity shareholders of the Company for the years ended 31 March 2021 and 2020 were approximately HK\$188.5 million and HK\$28.5 million respectively, representing an increase of approximately 561.4%. The increase was mainly due to the factors described above.

Excluding the receipt of wage subsidies from the government's Employment Support Scheme under the anti-epidemic fund scheme for the year ended 31 March 2021 and adding listing expenses for the year ended 31 March 2020, the adjusted profit attributable to equity shareholders of the Company for the years ended 31 March 2021 and 31 March 2020 amounted to approximately HK\$137.1 million and HK\$39.3 million respectively, representing an increase of HK\$97.8 million or 248.9%. The increase was mainly due to factors described above.

### Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through cash inflows from operating activities. As at 31 March 2021, the capital structure of the Group consisted of equity of approximately HK\$488.8 million (31 March 2020: HK\$300.2 million), bank and other borrowings of approximately HK\$60.4 million (31 March 2020: HK\$116.9 million) and lease liabilities of approximately HK\$28.9 million (31 March 2020: HK\$23.1 million).

### Account receivables

As at 31 March 2021, the Group had account receivables of approximately HK\$360.2 million (31 March 2020: HK\$334.9 million). The increase was mainly due to the increase in revenue.

### Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by operating cash flows. As at 31 March 2021, the Group's cash and cash equivalents were approximately HK\$383.7 million (31 March 2020: HK\$169.0 million). The Group pledged bank deposits of approximately HK\$24.4 million (31 March 2020: HK\$16.3 million) to secure the Group's banking facilities. As at 31 March 2021, the current ratio of the Group was approximately 1.9 times (31 March 2020: 1.6 times).

### Accruals, other payables and provisions

As at 31 March 2021, the Group had total accruals, other payables and provisions of approximately HK\$323.2 million (31 March 2020: HK\$216.0 million). The increase was mainly due to the increase in accrued staff costs and provisions. This is generally in line with the increase in revenue.



## Management Discussion and Analysis (Continued)

### Bank and other borrowings

As at 31 March 2021, the Group had total bank and other borrowings of approximately HK\$60.4 million (31 March 2020: HK\$116.9 million). As at 31 March 2021, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,570.7 million, of which approximately HK\$1,131.9 million was unutilised.

### Gearing ratio

As at 31 March 2021, the Group's gearing ratio was approximately 18.3% (31 March 2020: 46.6%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. The Group's total debts include interest-bearing bank and other borrowings and lease liabilities.

### Foreign currency exposure

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### Capital expenditure

The Group incurred total capital expenditures of approximately HK\$68.1 million for the year ended 31 March 2021 (2020: HK\$72.9 million) for additions of property, plant and equipment and right-of-use assets, in particular motor vehicles for rendering environmental hygiene services. It was mainly funded by internal resources generated from operating activities.

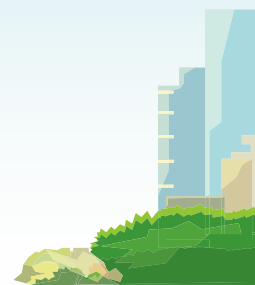
### Capital commitment

As at 31 March 2021, the Group had a total capital commitment of approximately HK\$5.7 million (31 March 2020: HK\$1.1 million), mainly comprising the related contracts of capital expenditure for property, plant and equipment.

### Charges on the Group's assets

As at 31 March 2021 and 2020, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets and financial assets at fair value through profit or loss ("FVTPL") to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

## Management Discussion and Analysis (Continued)



### Contingent liabilities

#### (a) Performance bonds

As at 31 March 2021, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to approximately HK\$404,399,000 (31 March 2020: HK\$285,358,000). The performance bonds were secured by pledged bank deposits, account receivables and financial assets at FVTPL and were guaranteed by the Company.

#### (b) Litigation

As at 31 March 2021 and 2020, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees and third parties with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$4,575,000 and HK\$1,116,000 respectively. In the opinion of the Directors, the provision of insurance deductibles had been provided for based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

## ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2021, the Group did not make any material acquisition, disposal nor hold any significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group has no specific plan for material investments or capital assets as at 31 March 2021.

## EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material events after the end of the reporting period.

## HUMAN RESOURCES

As at 31 March 2021, the Group had over 13,000 employees (31 March 2020: over 10,000 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. In addition, the Group conducted various training activities, such as training on operational safety, office and management skills, to improve the front-end quality of services and office support during the year ended 31 March 2021.





# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. CHEUNG Kam Chiu (“Mr. Cheung”)**, aged 66, is the Co-chief executive officer and one of the founders of the Group and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director on 24 January 2019. Mr. Cheung has over 41 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Cleaning Services Company Limited (“**Johnson Cleaning**”, an indirect wholly-owned subsidiary of the Company) since May 1989 and a director of certain subsidiaries of the Company. He has also been a director of Johnson Investment Holding Co., Ltd. (“**Johnson Investment**”, a direct wholly-owned subsidiary of the Company) since its incorporation on 10 August 2018. Mr. Cheung is responsible for the overall day-to-day management, strategic planning and business development of the Group. Mr. Cheung together with Mr. SZETO Wing Tak and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company. As Co-chief executive officer of the Group, Mr. Cheung was responsible for reporting to the Board from time to time the business operations, financial performance and business plan of the Company. Mr. Cheung was also responsible for supervising the day-to-day operations delegated to the senior management such as contract bidding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

**Mr. SZETO Wing Tak (“Mr. Szeto”)**, aged 65, is the Co-chief executive officer and one of the founders of the Group and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director on 24 January 2019. Mr. Szeto has over 41 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Cleaning since May 1989 and a director of certain subsidiaries of the Company. He has also been a director of Johnson Investment since its incorporation on 10 August 2018. Mr. Szeto is responsible for the overall day-to-day management, strategic planning and business development of the Group. Mr. Szeto together with Mr. Cheung and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company. As Co-chief executive officer of the Group, Mr. Szeto was responsible for reporting to the Board from time to time the business operations, financial performance and business plan of the Company. Mr. Szeto was also responsible for supervising the day-to-day operations delegated to the senior management such as contract bidding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

## Directors and Senior Management (Continued)

### Non-executive Directors

**Ms. XU Jili (“Ms. Xu”)**, aged 50, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director and the Chairman of the Company on 24 January 2019. Ms. Xu has been a director of Johnson Cleaning since 18 April 2017 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Xu has over 14 years of experience in business management. Ms. Xu has been a chief financing officer of Zhuhai Huafa Group Company Limited (珠海華發集團有限公司) (“**Zhuhai Huafa**”, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and a controlling shareholder of the Company) since March 2018, a general manager and director of Zhuhai Huafa Multi-Business Development Co., Ltd. (珠海華發綜合發展有限公司) since September 2016, a director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325) since March 2016. Since April 2015 and March 2020, Ms. Xu has been a director and executive vice president of Zhuhai Huafa Investment Holdings Group Co. Ltd. (珠海華發投資控股集團有限公司) (formerly known as Zhuhai Financial Investment Holdings Group Co. Ltd. (珠海金融投資控股集團有限公司)) (“**Huafa Investment Holdings Group**”), respectively. From January 2017 to March 2020, she was the deputy general manager of Huafa Investment Holdings Group. Ms. Xu is also the chairman of the board of directors of Zhuhai Huafa Trade Holdings Limited (珠海華發商貿控股有限公司) and of Zhuhai Huafa Group Finance Co., Ltd. (珠海華發集團財務有限公司) since March 2015. She was the vice president of the Industrial Bank Co., Ltd., Zhuhai branch from May 2011 to April 2013 where she was mainly responsible for overseeing financial markets and risk management. Prior to that, Ms. Xu was the vice president of Agricultural Bank of China, Zhuhai branch from May 2006 to April 2011, where she was mainly responsible for business management, credit risk management and asset disposal.

Ms. Xu obtained a Bachelor of Economics from Nankai University in the PRC in July 1993. She also obtained a Master’s degree in Management from the South China Agricultural University in the PRC in June 2006.

**Ms. LI Yanmei**, aged 49, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. LI Yanmei has been a director of Johnson Cleaning since 25 September 2015 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. LI Yanmei has been the chairman of the board and general manager of Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司) (which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, a controlling shareholder of the Company and a wholly-owned subsidiary of Zhuhai Huafa), since September 2014, where she was responsible for overall management and day-to-day operations. Ms. LI Yanmei also worked for Huafa Property Services Group Company Limited (華發物業服務集團有限公司) (formerly known as HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司)), a controlling shareholder of the Company, as a joint company secretary from July 2014 to July 2017 and served as its sole company secretary from July 2017 to June 2019, responsible for general company secretarial affairs. Prior to joining Zhuhai Huafa, Ms. LI Yanmei served at PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) (“**PICC**”) from July 1992 to July 2013, where she was eventually promoted to the officer-in-charge of the bank insurance department of the Guangdong branch of PICC, where she was responsible for banking insurance business development planning for Guangdong province.

Ms. LI Yanmei obtained a Bachelor of Science from Sun Yat-sen University in the PRC in July 1992, completed a postgraduate certificate in political economic science (政治經濟學) from the Guangdong Academy of Social Sciences in the PRC in August 2000, and obtained a Master of Business Administration from the Macau University of Science and Technology in Macau in August 2007. In October 1996, she obtained a certificate issued by Ministry of Personnel of the People’s Republic of China for her professional qualification of intermediate level in economics of insurance.



## Directors and Senior Management (Continued)

**Mr. XIE Hui (“Mr. Xie”)**, aged 40, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Xie has been a director of Johnson Cleaning since 25 September 2015, and a director of Johnson Investment since its incorporation on 10 August 2018.

Mr. Xie has been the Chief Strategic Operating Officer of Zhuhai Huafa since April 2020, and served as the board secretary of Zhuhai Huafa since July 2017. He served as the strategy director of Huafa Investment Holdings Group from July 2017 to March 2020, where he was responsible for strategic planning, and a director of Zhuhai Property Exchange Centre Company Limited (珠海產權交易中心有限責任公司) from September 2016 to May 2018, where he was responsible for executing and authorizing the execution of contracts and other material documents on behalf of the company. From July 2015 to July 2017, he served as the board secretary of Huafa Investment Holdings Group. From August 2012 to May 2018, he served as the general manager of the strategic innovation department of Huafa Investment Holdings Group. From April 2010 to August 2012, Mr. Xie served as project manager in the development planning department of Zhuhai Kyushu Travel Group Company Limited (珠海九洲旅遊集團有限公司), where he was mainly responsible for industry research and investment project analysis.

Mr. Xie graduated from the University of Science and Technology of China in the PRC with a Bachelor of Management in July 2003, and obtained a Master’s degree in Financial Markets and Intermediaries from the Université Toulouse 1 Sciences Sociales in France in November 2009. Mr. Xie also obtained a professional qualification of intermediate level in finance issued by the Guangdong Provincial Human Resources and Social Security Department in February 2012.

**Mr. YE Ning (“Mr. Ye”)**, aged 42, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Ye has been a director of Johnson Cleaning since 25 September 2015, and a director of Johnson Investment since its incorporation on 10 August 2018.

He serves as a vice chairman of the board and president of Huajin Asset Management (Shenzhen) Co., Ltd. (華金資產管理(深圳)有限公司) since April 2019, and serves as the vice president of Huafa Investment Holdings Group since March 2020. He was appointed as an assistant to the general manager of Huafa Investment Holdings Group from October 2012 to March 2020. He has served as a director of Zhuhai Huajin Innovative Investment Co., Ltd. (珠海華金創新投資有限公司) and the chairman of the board of directors of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司) from February 2016 to July 2019. From February 2016 to January 2018, Mr. Ye was the general manager of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司). From August 2015 to December 2017, Mr. Ye was appointed as a director of Zhuhai Huajin Capital Co. Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532). Mr. Ye served in Industrial and Commercial Bank of China, Zhuhai branch as a deputy general manager of the business operation department from July 2007 to October 2010, where he was responsible for marketing the corporate finance business, client management and service management, developing the corporate syndicated loan, trustee and other businesses, and providing one-stop service and solutions to clients.

Mr. Ye graduated from Heilongjiang University in the PRC with a Bachelor of Economics in July 2002. He also obtained the qualification in dealings of securities and investment funds from the China Securities Investment Fund Industry Association in August 2018.

## Directors and Senior Management (Continued)

**Ms. LEE Wing Yee Loretta**, aged 46, was appointed as a Director on 9 July 2018 and was re-designated as a non-executive Director on 24 January 2019. Ms. LEE Wing Yee Loretta has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. LEE Wing Yee Loretta has been an executive director and the chairlady of Canvest Environmental Protection Group Company Limited (“**Canvest Environmental**”), a controlling shareholder of the Company and a company listed on the Main Board of the Stock Exchange (stock code: 1381), since 2014. She is mainly responsible for formulating overall strategies, and making major corporate and operational decisions of Canvest Environmental. Ms. LEE Wing Yee Loretta worked in the finance and human resources department of a private company from 1997 to 2012. Ms. LEE Wing Yee Loretta is a director of each of Canvest Environmental (China) Company Limited, Best Approach Developments Limited, Yi Feng Development Limited, Century Rise Development Limited and Harvest Vista Company Limited, each of which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and a controlling shareholder of the Company.

Ms. LEE Wing Yee Loretta obtained a higher diploma in public administration and management from the City University of Hong Kong in 1997.

**Ms. WONG Ling Fong Lisa (“Ms. Wong”)**, aged 47, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. Wong has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Wong is the chief financial officer and company secretary of Canvest Environmental. Ms. Wong is primarily responsible for the financial management of the group. Prior to joining Canvest Environmental, she was in charge of the investment department of a private company and was also a financial controller from 2005 to 2012. She worked at KPMG from 1998 to January 2004 and her last position held was manager.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She graduated from The Hong Kong Polytechnic University in 1998 with a degree of bachelor of arts in accountancy.



## Directors and Senior Management (Continued)

**Mr. ZHOU Wenjie (“Mr. Zhou”)**, aged 41, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Zhou has been a director of Johnson Cleaning since 7 May 2018. Mr. Zhou has also been a director of Johnson Investment since its incorporation on 10 August 2018.

Mr. Zhou served as deputy general manager of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (粵豐粵展環保投資(廣東)有限公司) (formerly known as Yuezhan Environmental Investment (Guangdong) Company Limited (粵展環保投資(廣東)有限公司)), an investment holding company and an indirect wholly-owned subsidiary of Canvest Environmental from April 2018 to December 2020, where he was responsible for business development and day-to-day management. Since March 2019, he has served as general manager of Canvest Guoye Environmental Investment (Guangdong) Company Limited (粵豐國業環保投資(廣東)有限公司), an indirect wholly-owned subsidiary of Canvest Environmental, where he is responsible for the operation and management of the company. Mr. Zhou also served as the deputy general manager of the administrative department in Dongguan Water Investment Group Co. Ltd. (東莞市水務投資集團有限公司), a company primarily engaged in water-services related project investment, from November 2016 to March 2017, and served as the deputy general manager of the administrative department and director of the communist party group (黨群辦主任) from April 2017 to October 2017. He was then promoted to the general manager of the administrative department from November 2017 to March 2018. During his course of employment, he was mainly responsible for group strategic management and administrative management. Mr. Zhou worked as an officer in the general office of Dongguan Water Authority (東莞市水務局辦公室), water service administration department of Dongguan City, from August 2013 to October 2014, and was promoted to deputy office director from November 2014 to November 2016, mainly responsible for daily operations, secretarial, administrative, and external publicity work. He also worked as an officer in Economic Crime Investigation Division of the Dongguan Public Security Bureau from August 2002 to July 2013, mainly responsible for carrying out investigations in relation to major economic crimes.

Mr. Zhou obtained a Bachelor of Laws from the Criminal Investigation Police University of China in the PRC in July 2002.

### Independent non-executive Directors

**Mr. FAN Chiu Tat Martin (“Mr. Fan”)**, aged 54, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Audit Committee of the Company.

Mr. Fan joined Luks Group (Vietnam Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 366) in August 1991 and currently serves as executive director, company secretary and financial controller of the company. He obtained a Bachelor of Social Sciences from the University of Hong Kong in December 1989.

Mr. Fan became a fellow member of the Association of Chartered Certified Accountants in April 1998 and an associate member of the Hong Kong Institute of Certified Public Accountants in February 1994.

**Dr. GUAN Yuyan (“Dr. Guan”)**, aged 46, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is also a member of the Nomination Committee and the Remuneration Committee of the Company.

Dr. Guan joined the City University of Hong Kong as an academic visitor in August 2006. She was then promoted to an assistant professor in October 2006 and has served as associate professor since July 2015.

Dr. Guan obtained a Bachelor of Economics from Xiamen University in the PRC in July 1996. She then obtained a Master in Business Administration from the University of Miami in the United States in May 1999, and further obtained a Doctor of Philosophy in Accounting from the University of Toronto in Canada in November 2006.

Dr. Guan became a member of CPA Australia in 2016.

## Directors and Senior Management (Continued)

**Mr. HONG Kam Le (“Mr. Hong”)**, aged 41, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also a member of the Nomination Committee of the Company.

Mr. Hong was admitted as a solicitor in Hong Kong in September 2007 and has more than 12 years’ experience in the legal industry. Mr. Hong is a partner of Chung’s Lawyers since November 2018. He previously served as an associate of Li & Partners from June 2010 to February 2016 and as a partner of the same firm from February 2016 to October 2018.

Mr. Hong obtained a Bachelor of Commerce and a Bachelor of Laws from the University of Sydney in June 2003 and May 2004, respectively and a postgraduate certificate in laws from the University of Hong Kong in June 2005.

Mr. Hong has served as the company secretary and authorised representative of Shengli Oil & Gas Pipe Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1080) since December 2013, and was the joint company secretary of Jujiang Construction Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1459) from September 2015 to July 2020.

**Mr. LEUNG Siu Hong (“Mr. Leung”)**, aged 45, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Leung has over 23 years of experience in the areas of accounting, auditing and company secretarial work. Mr. Leung has served as the financial controller and company secretary of China Starch Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3838) since February 2008.

Mr. Leung obtained a designated degree of Master of Arts in Accountancy from the University of Aberdeen in Scotland, the United Kingdom in October 1997. He also obtained a Master of Corporate Governance from the Hong Kong Polytechnic University in October 2011 and a Master of Science in Financial Analysis from The Hong Kong University of Science and Technology in June 2014. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2010 and Association of Chartered Certified Accountants since May 2007. Mr. Leung is also a fellow member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Institute of Chartered Secretaries since July 2013.



## Directors and Senior Management (Continued)

Mr. Leung was an independent non-executive director of Sun Car Insurance Agency Co., Ltd. (盛世大聯保險代理股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 831566), from 25 October 2018 to 18 May 2020. Mr. Leung is an independent non-executive director of A. Plus Group Holdings Limited (優越集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1841) since 23 March 2016.

**Ms. RU Tingting (“Ms. Ru”)**, aged 46, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is the chairwoman of the Nomination Committee of the Company and is also a member of the Audit Committee and the Remuneration Committee of the Company.

From February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director then as the director of the Department of Listed Company Supervision. Ms. Ru has been a managing partner of Beijing Yongxing Law Firm since September 2018.

Ms. Ru obtained a Bachelor of Laws from China University of Political Science and Law in July 1995 and a Master of Laws from Renmin University of China in June 2001.

### SENIOR MANAGEMENT

#### Executive President

**Mr. NG Chun Man (“Mr. Ng”)**, aged 55, joined the Group as the executive president on 13 January 2020. He is mainly responsible for overseeing strategic planning, business development, operation, internal control and corporate governance of the Group. Mr. Ng has been a director of certain subsidiaries of the Company. He obtained a Bachelor of Social Sciences degree from The University of Hong Kong in 1989. Mr. Ng was awarded Professional Diploma in Real Estate Administration by The University of Hong Kong School of Professional and Continuing Education in November 2000, HKSI Practising Certificates in Securities, Corporate Finance and Asset Management by Hong Kong Securities Institute in June 2007 and Pearson BTEC Level 4 HNC Diploma in Construction and the Built Environment (Civil Engineering) (QCF) by Pearson Education Ltd. in June 2018. Mr. Ng is a licensed estate agent in Hong Kong.

Mr. Ng has over 11 years of experience holding senior management positions in various listed companies in Hong Kong. Prior to joining the Company, Mr. Ng was a director of ancillary business in Synergis Management Services Limited, a subsidiary of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 02340), from 2016 to 2018. He was an associate director of Sino Property Services, the property management group of companies of Sino Land Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 083) from 2012 to 2015, and a director and general manager of Best Result Environmental Services Limited, a subsidiary of Sino Land Company Limited from 2008 to 2015. In his previous positions as senior management of listed companies, Mr. Ng was responsible for formulating and implementing business strategies and long term corporate planning, as well as corporate policies and standard operation procedures to strengthen corporate governance.

# Corporate Governance Report



The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 March 2021.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices.

In the opinion of the Directors, for the year ended 31 March 2021, the Company has complied with the code provisions as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for Directors in their dealings in the securities of the Company. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the requested standards set out in the Model Code throughout the year ended 31 March 2021.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the guidelines by the employees was noted by the Company.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Group and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.





## Corporate Governance Report (Continued)

### Board Composition

The Board currently comprises fourteen Directors, consisting of two executive Directors, seven non-executive Directors and five independent non-executive Directors as follows:

#### *Executive Directors*

Mr. CHEUNG Kam Chiu (*Co-chief executive officer*)

Mr. SZETO Wing Tak (*Co-chief executive officer*)

#### *Non-executive Directors*

Ms. XU Jili (*Chairman*)

Ms. LI Yanmei

Mr. XIE Hui

Mr. YE Ning

Ms. LEE Wing Yee Loretta

Ms. WONG Ling Fong Lisa

Mr. ZHOU Wenjie

#### *Independent non-executive Directors*

Mr. FAN Chiu Tat Martin

Dr. GUAN Yuyan

Mr. HONG Kam Le

Mr. LEUNG Siu Hong

Ms. RU Tingting

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 16 to 22 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

## Corporate Governance Report (Continued)

### Board and Board Committees Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors only without the presence of other Directors during the year ended 31 March 2021.

During the year ended 31 March 2021, four regular Board meetings, three Audit Committee meetings, two Remuneration Committee meetings, one Nomination Committee meeting and one annual general meeting were held.

A summary of the attendance records of the Directors at the Board meetings and the respective Board committees meetings held during the year ended 31 March 2021 is set out below:

Name of Director	Attendance/Number of Meeting(s)				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Mr. CHEUNG Kam Chiu	4/4	–	–	–	1/1
Mr. SZETO Wing Tak	4/4	–	–	–	1/1
Ms. XU Jili	4/4	–	–	–	1/1
Ms. LI Yanmei	4/4	–	–	–	1/1
Mr. XIE Hui	4/4	–	–	–	1/1
Mr. YE Ning	4/4	–	–	–	1/1
Ms. LEE Wing Yee Loretta	4/4	–	–	–	1/1
Ms. WONG Ling Fong Lisa	4/4	–	–	–	1/1
Mr. ZHOU Wenjie	4/4	–	–	–	1/1
Mr. FAN Chiu Tat Martin	4/4	3/3	–	–	1/1
Dr. GUAN Yuyan	4/4	–	2/2	1/1	1/1
Mr. HONG Kam Le	4/4	–	–	1/1	1/1
Mr. LEUNG Siu Hong	4/4	3/3	2/2	–	1/1
Ms. RU Tingting	4/4	3/3	2/2	1/1	1/1



## Corporate Governance Report (Continued)

### Chairman and Chief Executive Officers

The position of the Chairman is held by Ms. XU Jili and the positions of Co-chief executive officers are held by Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officers focus on the Company's business development and daily management and operations generally.

### Independent Non-executive Directors

During the year ended 31 March 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of two years commencing from the Listing Date, subject to termination on certain circumstances as stipulated in their respective letter of appointment.

Mr. YE Ning, Mr. ZHOU Wenjie, Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan and Mr. HONG Kam Le are subject to retirement by rotation and re-election at the 2021 AGM. Under the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of the Company after the appointment and be subject to re-election at such shareholders meeting. The retiring Directors shall be eligible for re-election.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

## Corporate Governance Report (Continued)

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to management team.

The Company has arranged appropriate liability insurance on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials/updates on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, during the year ended 31 March 2021, all the current Directors had participated in appropriate continuous professional development activities by ways of attending training sessions, briefings, seminars, conferences and workshops etc, and/or reading articles, newspapers, journals, magazines and/or updates relevant to the Group's businesses or to the Directors' duties and responsibilities, and corporate governance.

## Corporate Governance Report (Continued)

The training records of the Directors for the year ended 31 March 2021 are summarized as follows:

<b>Directors</b>	<b>Type(s) of Training</b> <small>Notes</small>
<b>Executive Directors</b>	
Mr. CHEUNG Kam Chiu	A & B
Mr. SZETO Wing Tak	A & B
<b>Non-executive Directors</b>	
Ms. XU Jili	A & B
Ms. LI Yanmei	A & B
Mr. XIE Hui	A & B
Mr. YE Ning	A & B
Ms. LEE Wing Yee Loretta	A & B
Ms. WONG Ling Fong Lisa	A & B
Mr. ZHOU Wenjie	A & B
<b>Independent non-executive Directors</b>	
Mr. FAN Chiu Tat Martin	A & B
Dr. GUAN Yuyan	A & B
Mr. HONG Kam Le	A & B
Mr. LEUNG Siu Hong	A & B
Ms. RU Tingting	A & B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant articles, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEES

The Board has established three committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 8 to 9 of this annual report.

## Corporate Governance Report (Continued)



### Audit Committee

The Audit Committee consists of three Independent non-executive Directors, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong. Mr. FAN Chiu Tat Martin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2021, the Audit Committee has reviewed the interim financial results and report and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budgets.

The Company's annual results announcement and annual report have been reviewed by the Audit Committee.

The Audit Committee held three meetings during the year ended 31 March 2021 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendance Records".

The Audit Committee also met the external auditor without the presence of the executive Directors.

### Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. LEUNG Siu Hong, Dr. GUAN Yuyan and Ms. RU Tingting. Mr. LEUNG Siu Hong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 March 2021, the Remuneration Committee reviewed the remuneration policy and the remuneration packages of the executive Directors and senior management, and recommended them to the Board for adoption.

The Remuneration Committee held two meetings during the year ended 31 March 2021 and the attendance of each member is listed under section "Board and Board Committees Meetings and Directors' Attendance Records".

Details of the remuneration of the senior management by band are set out in note 15 to the consolidated financial statements.



## Corporate Governance Report (Continued)

### Nomination Committee

The Nomination Committee consists of three members, namely Ms. RU Tingting, Dr. GUAN Yuyan and Mr. HONG Kam Le. Ms. RU Tingting is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2021, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The Nomination Committee held one meeting during the year ended 31 March 2021 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendances Records".

### Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually on the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to talent, skills, professional experience, independence and knowledge.

In designing the Board's composition and selection of candidates, Board diversity has been considered from a range of diversity perspectives, including but not limited to talent, skills, professional experience, independence and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

## Corporate Governance Report (Continued)



### Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria taking care that the candidates possess skills, knowledge and experience relevant to the operations of the Company, have enough time available to devote to the position and, in case of independent non-executive director, the independence requirements set out in the Listing Rules, and take into account various aspects set out in the Board Diversity Policy of the Company including but not limited to gender, age, cultural and educational background, or professional experience, as well as the Company's business model and specific needs. The candidate must satisfy the Board that he/she has the character and integrity and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. During the year ended 31 March 2021, there was no change in the composition of the Board.

The Nomination Committee will review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the complement the Company's corporate strategy.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

### Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and making recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Group's compliance with the CG Code and the disclosures in the annual report. The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

To the best knowledge of the Directors, during the year ended 31 March 2021, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.





## Corporate Governance Report (Continued)

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading management team and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The systems of internal control covers the areas of financial, accounting, operational, compliance and risk management of the Group's business. Management is responsible for implementing the internal control systems to manage risks.

The key elements of the Company's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff; and
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary.

During the year ended 31 March 2021, the Board and the Audit Committee worked with an external professional consultant to identify potential risks and uncertainties that materially affect the business of the Group and assessed the likelihood of risk occurrence. In mitigation of identified risks, the management, in coordination with department heads, actively assesses the effect of changes in situation(s), and worked closely with internal and external parties taking proper actions, if necessary, to avoid or mitigate their adverse impacts.

## Corporate Governance Report (Continued)



The following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

<b>Risk Area</b>	<b>Principal risk and response</b>
Strategic Risk	<p><u>Economic factors and market competition</u> Hong Kong's economy is adversely affected by epidemic of COVID-19 and the Group is facing keen competition in the environmental hygiene service industry as well.</p> <p>In order to maintain the market leadership in the environmental hygiene service industry and further enhance competitiveness during the economic downturn, the Group is continuously (i) building and sustaining the reputation as high-quality and customized environmental hygiene service provider; (ii) increasing operational efficiency and service excellence to enhance customer experience; and (iii) introducing more innovative technology and equipment to increase the quality and efficiency of our environmental hygiene service.</p>
Operational Risk	<p><u>Tender and pricing</u> The Group's revenue is derived from service contracts awarded through tendering processes or quotations submissions and there is no guarantee of success of new tenders or renewal of existing services contracts.</p> <p>In response to the tender risk, the Group has established a relatively broad customers base ranging from various government departments in Hong Kong to non-government sectors customers such as property management companies and educational institutions etc. Besides, for business diversification and maintaining our competitiveness in the market, the Group established Johnson Environmental and i-CLEAN LIMITED to provide logistic services of garbage collection and distribution agency service of innovative technology product.</p> <p><u>Infectious disease</u> The epidemic of COVID-19 causing severe impacts on the workforce and economy of Hong Kong. If our employees are infected with the COVID-19, the Groups' services may be affected and there is a possibility of service disruption.</p> <p>To address the threat of infectious diseases and ensure the safety of our frontline employees, the Group has taken actions, including educating frontline employees on how they shall protect themselves and strengthen the promotion on epidemic prevention by providing safety work guidelines. We also strive to provide frontline employees with adequate personal protective equipment, disinfection tools and supplies for routine cleaning and disinfection.</p>



## Corporate Governance Report (Continued)

Risk Area	Principal risk and response
Operational Risk (Continued)	<p data-bbox="432 476 612 498"><u>Health and safety</u></p> <p data-bbox="432 513 1410 685">The Group's operations inevitably put frontline employees in a position where their health are exposed to risks, and accidents may happen to our employees during their work as well. The Group is exposed to claims risks for work-related accidents and injuries and public liability for physical injuries and property damages, which may have an impact on the Group's reputation and finances.</p> <p data-bbox="432 739 1410 911">To protect the occupational health and safety of our employees, the Group had implemented a range of occupational safety measures to safeguard employees' interests, including but are not limited to providing all necessary training and guidance for employees. Besides, in order to address the claims risks, the Group has purchased insurance with insurance companies as a risk transfer.</p> <p data-bbox="432 965 560 987"><u>Recruitment</u></p> <p data-bbox="432 1002 1410 1252">The environmental hygiene service market exhibits a long-standing shortage of labour and high turnover rate. In response to the risks, (i) employees' remuneration packages are reviewed regularly for competitiveness; (ii) internal manpower rotation plans are developed to match existing and future human resources needs; (iii) budget (including manpower budget) is prepared for projects; and the Group continuously (iv) introducing advance automation equipment to reduce the need for manpower; and (v) improving employer branding to attract and retain talents.</p> <p data-bbox="432 1306 560 1328"><u>Supply chain</u></p> <p data-bbox="432 1343 1410 1407">The quality of the cleaning and disinfection products provided by the suppliers will directly affect the service quality of the Group and the health and safety of our employees.</p> <p data-bbox="432 1450 1410 1558">In order to ensure the quality of suppliers are monitored, the Group has compiled relevant internal control procedures for the selection of suppliers. In addition, the Group maintained business relationships with various existing suppliers to avoid over-reliance on a single supplier.</p> <p data-bbox="432 1601 772 1623"><u>Information system management</u></p> <p data-bbox="432 1638 1410 1780">Information system play a significant role in the Group's business operations and financial reporting cycle. The Group's operations may be affected by system failure and any improper use of data stored in the information system may cause a damage on the Group's reputation and finances.</p> <p data-bbox="432 1823 1410 1931">In order to address the information system risk, the Group has adopted information security guidelines to (i) prevent unauthorised access to our information system; and (ii) maintain a regular systematic data backup.</p>

## Corporate Governance Report (Continued)



<b>Risk Area</b>	<b>Principal risk and response</b>
Compliance Risk	<p><u>Compliance with the Listing Rules and other relevant laws</u></p> <p>The Group is required to comply with various regulations in Hong Kong, such as laws related to employment and labour practices, laws related to occupational health and safety (“OHAS”) and relevant tax law. In addition, the Group is required to comply with Listing Rules after listing on the Main Board of the Stock Exchange in October 2019. Failure to comply with the Listing Rules and other relevant laws may result in damages to the Group’s corporate image and expose it to the risks of investigation, operational disruption, suspension and/or director liability.</p> <p>In order to address the compliance risk, the Group has adopted various internal guidelines to ensure the Group’s operation complied with relevant labour law, OHAS law and tax law. In addition, the Group has hired various professional parties as consultant to deal with the requirements of the listing regulations, especially in terms of financial disclosure and corporate governance.</p>
Financial Risk	<p>Please refer to note 6 to the consolidated financial statements for the financial risks facing by the Group.</p>

The internal control review function of the Group works with the external independent consultant to review the internal control systems and procedures of the Company in assessing the adequacy of the internal control. In the course of its reviews, the internal control review function together with the independent consultant conducted interviews with the designated responsible personnel and examined relevant documents to identify the deficiencies in the Company’s internal control procedures and develop recommendations for the improvement. The Company has implemented the measures to improve its internal control systems with reference to those recommendations.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2021.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing policy and system is in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its inside information policy which provides a written guidelines to the Directors, the Company’s senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.



## Corporate Governance Report (Continued)

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 54 to 58.

### AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 March 2021 amounted to HK\$850,000 and HK\$311,000 respectively. An analysis of the remuneration paid to the external auditor of the Company, RSM Hong Kong, in respect of audit services and non-audit services for the year ended 31 March 2021 is set out below:

<b>Service Category</b>	<b>Fees Paid/ Payable (HK\$)</b>
Audit Services	
– Annual audit services	850,000
Non-audit Services	
– Review of 2020 interim results	280,000
– Taxation services	31,000
	<hr/>
	1,161,000

### COMPANY SECRETARY

Mr. LI Zhuang and Ms. LEE Mei Yi have been appointed as the Company's joint company secretaries. Ms. LEE Mei Yi is an executive director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. LI Zhuang, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. LEE Mei Yi on the Company's corporate governance and secretarial and administrative matters.

## Corporate Governance Report (Continued)

For the year ended 31 March 2021, Mr. LI Zhuang and Ms. LEE Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

### CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2021, there was no change in the constitutional documents of the Company.

### SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

#### Convening an Extraordinary General Meeting at the Request of Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Putting Forward Proposals at General Meetings by Shareholders

There is no provision allowing the Shareholders to put forward new resolutions at general meetings under the Cayman Companies Law or the Articles of Association. Shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

#### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company, the contact details of which are contained on the website of the Company ([www.johnsonholdings.com](http://www.johnsonholdings.com)).

For the avoidance of doubt, the Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.



## Corporate Governance Report (Continued)

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

#### Policies relating to Shareholders

The Company has in place a Shareholder Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy. The Company does not have a fixed dividend payment ratio and may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to the Shareholders' approval. The Board will review the Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results
- Shareholders' interests
- general business conditions, strategies and future expansion needs
- the Group's capital requirements
- the payment by its subsidiaries of cash dividends to the Company
- possible effects on liquidity and financial position of the Group
- other factors the Board may deem relevant

# Report of the Directors



The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in the provision of cleaning, janitorial and other related services. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 38 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

## BUSINESS REVIEW

A review of the Group's business during the year ended 31 March 2021, which includes a description of the principal risks and uncertainties facing the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future development in the Group's business are set out in the Management Discussion and Analysis on pages 10 to 15 of this annual report.

In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group are included in the Corporate Governance Report of this annual report, and the discussions on the Group's environmental policies, relationships with its employees, customers and suppliers are included in the Environmental, Social and Governance Report which will be available by October 2021.

All these discussions form part of this report of the directors.

## DIVIDEND

The Board recommended the payment of a final dividend of 7.5 Hong Kong cents (2020: Nil) per share for the year ended 31 March 2021. Subject to the Shareholders' approval at the 2021 AGM, the final dividend will be payable on 8 October 2021 to those Shareholders whose names appear on the register of members of the Company at the close of business on 17 September 2021, being the record date for determining the entitlements to the final dividend.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

## SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 March 2021 are set out in note 30 to the consolidated financial statements.





## Report of the Directors (Continued)

### DISTRIBUTABLE RESERVES

As at 31 March 2021, the Company's reserves available for distribution, calculated in accordance with the Cayman Companies Law, amounted to approximately HK\$263.3 million. Under the Cayman Companies Law, the share premium account of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend, if any, is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Details of the movements in reserves of the Company during the year ended 31 March 2021 are set out in note 31(b) to the consolidated financial statements.

### GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 March 2021 is set out on page 120 of this annual report.

### DONATIONS

The total donations made by the Group during the year ended 31 March 2021 amounted to approximately HK\$97,000. (2020: HK\$30,000).

### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares were listed on the Main Board of the Stock Exchange by way of global offering of 125,000,000 new Shares at an offer price of HK\$1.0 per share on 16 October 2019. As at 31 March 2021, the total number of issued Shares is 500,000,000 Shares. The gross proceeds from the global offering amounted to HK\$125 million before deduction of related expenses. The net proceeds from the global offering after deduction of the underwriting commission and related listing expenses were approximately HK\$87.9 million.

## Report of the Directors (Continued)

The below table sets out the actual use and proposed applications of the net proceeds from the Listing Date to 31 March 2021:

Purpose	Approximate percentage of total amount	Net proceeds from the global offering (HK\$ million)	Actual use of proceeds up to 31 March 2021 (HK\$ million)	Remaining proceeds as at 31 March 2021 (HK\$ million)	Expected timeline of full utilisation of the remaining proceeds
Financing the upfront cost to manage the cash flow mismatch between salaries payment and collection of sales receipt	34.8%	30.6	30.6	–	N/A
Enhancing operational efficiency and quality of environmental hygiene service by upgrading hardware and software as well as recruiting additional talents mainly for contracting and operation department	19.0%	16.7	6.4	10.3	By March 2022
Acquiring suitable new specialised motor vehicles for rendering environmental hygiene service	17.4%	15.29	15.29	–	N/A
Development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of fleets	17.0%	14.94	14.94	–	N/A
Purchase of suitable new automated cleaning machineries and equipment mainly for rendering environmental hygiene service	5.8%	5.1	5.1	–	N/A
General working capital	6.0%	5.27	5.27	–	N/A
	100%	87.9	77.6	10.3	

All unutilised net proceeds have been deposited with licensed banks in Hong Kong. The Group intends to apply the remaining proceeds as shown above.

As at the date of this annual report, the Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.



## Report of the Directors (Continued)

### PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in properties, plant and equipment during the year ended 31 March 2021 are set out in note 18 to the consolidated financial statements.

### BANK AND OTHER BORROWINGS

Details of bank and other borrowings as at 31 March 2021 are set out in note 27 to the consolidated financial statements.

### GROUP REORGANISATION

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 9 July 2018.

In the preparation of listing of the Shares on the Main Board of the Stock Exchange, the Group has undergone the reorganization as a result of which the Company became the holding company of the companies now comprising the Group on 18 February 2019. Details of the group reorganization are set out in “History, Reorganisation and Corporate Structure” in the Prospectus.

### SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2021 are set out in note 38 to the consolidated financial statements.

### EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the end of reporting period.

### DIVIDEND POLICY

Details of the Company’s dividend policy are set out in the section headed “Corporate Governance Report” in this annual report.

## Report of the Directors (Continued)



### CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 37 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year ended 31 March 2021.

### ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any significant investment or material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 March 2021.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2021, the percentages of sales attributable to the largest customer and the five largest customers of the Group are 41.3% and 82.2% respectively.

During the year ended 31 March 2021, the largest supplier and the five largest suppliers of the Group accounted for approximately 1.6% and 4.3% of the total purchases of the Group respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

### DIRECTORS

The Directors during the year ended 31 March 2021 and up to the date of this annual report were:

#### Executive Directors

Mr. CHEUNG Kam Chiu (*Co-chief executive officer*)

Mr. SZETO Wing Tak (*Co-chief executive officer*)

#### Non-executive Directors

Ms. XU Jili (*Chairman*)

Ms. LI Yanmei

Mr. XIE Hui

Mr. YE Ning

Ms. LEE Wing Yee Loretta

Ms. WONG Ling Fong Lisa

Mr. ZHOU Wenjie



## Report of the Directors (Continued)

### Independent non-executive Directors

Mr. FAN Chiu Tat Martin

Dr. GUAN Yuyan

Mr. HONG Kam Le

Mr. LEUNG Siu Hong

Ms. RU Tingting

In accordance with Article 109 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election.

In accordance with Article 113 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. YE Ning, Mr. ZHOU Wenjie, Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan and Mr. HONG Kam Le will retire from office and, being eligible, have offered themselves for re-election at the 2021 AGM. Details of the Directors to be re-elected at the 2021 AGM are set out in the circular to Shareholders dated 28 July 2021.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considered each of the independent non-executive Directors to be independent.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 16 to 22 of this annual report.

## Report of the Directors (Continued)



### DIRECTOR'S SERVICE AGREEMENTS

Each of the executive Directors has entered into a service agreement with the Company commencing from 14 August 2019 for a term of two years (subject to termination in certain circumstances as stipulated in the relevant service agreement).

Each of the non-executive Directors (including the independent non-executive Directors) has signed a letter of appointment with the Company for a term of two years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

All the non-executive Directors and independent non-executive Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

None of the Directors being proposed for re-election at the 2021 AGM has entered into a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 March 2021.

### INTERESTS OF DIRECTORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

During the year ended 31 March 2021, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors and other officers of the Group shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has purchased the directors and officers liability insurance to provide appropriate protection for its Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 March 2021 for the benefit of the Directors.



## Report of the Directors (Continued)

### DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 March 2021 are set out in note 15 to the consolidated financial statements.

The remuneration packages of individual Directors and senior management (including salaries and other benefits) are recommended by the Remuneration Committee for the Board's approval, with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2021, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

### RELATED PARTY TRANSACTION

Details of the related party transactions for the year ended 31 March 2021 are set out in note 37 to the consolidated financial statements. The related party transactions as set out in note 37 to the consolidated financial statements constituted fully exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year ended 31 March 2021.

### SHARE OPTIONS OF THE COMPANY

The Company has no share option scheme as at the date of this annual report.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the Year or subsisted at the end of the year ended 31 March 2021.

## Report of the Directors (Continued)



### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

### DIRECTORS' REMUNERATION

The Directors' fees are approved by the Shareholders at the annual general meeting of the Company and the other emoluments payable to executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Details of remuneration of Directors are set out in note 15(a) to the consolidated financial statements.

### RETIREMENT AND EMPLOYEES BENEFITS SCHEME

Details of retirement benefit scheme of the Group are set out in note 4(o) to the consolidated financial statements.



## Report of the Directors (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

#### Long positions in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding in issue as at 31 March 2021
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 2)</sup>	30.75%

Notes:

1. The letter "L" denotes the entity/person's long positions in the Shares.
2. Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") is owned as to 54.75% by Best Approach Developments Limited ("**Best Approach**") (which is in turn directly held as to 55% by Harvest Vista Company Limited ("**Harvest Vista**") and indirectly held as to 45% by Harvest Vista through Century Rise Development Limited ("**Century Rise**"). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta, is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest Environmental (China) Company Limited ("**Canvest (China)**") is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng Development Limited ("**Yi Feng**") for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Directors (Continued)

### INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 March 2021, so far as the Directors are aware, the interests or short positions of the entities/persons, other than a Director or chief executives of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding in issue as at 31 March 2021
Hong Kong Huafa Investment Holdings Limited ("Hong Kong Huafa")	Beneficial interest and interest in controlled corporation	221,250,000 (L) <sup>(Note 2)</sup>	44.25%
Zhuhai Huafa Group Company Limited ("Zhuhai Huafa")	Interest in controlled corporation	221,250,000 (L) <sup>(Note 2)</sup>	44.25%
Canvest (China)	Beneficial interest	153,750,000 (L)	30.75%
Yi Feng	Interest in controlled corporation	153,750,000 (L) <sup>(Note 3)</sup>	30.75%
Canvest Environmental	Interest in controlled corporation	153,750,000 (L) <sup>(Note 4)</sup>	30.75%
Best Approach	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
Century Rise	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%

## Report of the Directors (Continued)

Name	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding in issue as at 31 March 2021
Harvest Vista	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LAI Kin Man	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LAI Chun Tung	Beneficiary of a trust (other than a discretionary interest)	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
HSBC International Trustee Limited	Trustee	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
South Pacific International Trading Limited (“ <b>South Pacific</b> ”)	Beneficial interest	45,000,000 (L)	9.00%
SIIC Estate Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%
SIIC Investment Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%

## Report of the Directors (Continued)

Name	Capacity/Nature of interest	Number of Shares held <sup>(Note 6)</sup>	Approximate percentage of shareholding in issue as at 31 March 2021
SIIC International (BVI) Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%

Notes:

- The letter "L" denotes the entity/person's long position in the Shares.
- 210,000,000 Shares are registered in the name of Hong Kong Huafa and 11,250,000 Shares are registered in the name of Huafa Property Services Group Company Limited (formerly known as HJ Capital (International) Holdings Company Limited) ("**Huafa Property Services**"). Since Huafa Property Services is owned as to 36.88% by Hong Kong Huafa through Huajin Investment Company Limited, Hong Kong Huafa is deemed to be interested in 11,250,000 Shares held by Huafa Property Services under the SFO. Since the entire share capital of Hong Kong Huafa is wholly owned by Zhuhai Huafa, under the SFO, Zhuhai Huafa is deemed to be interested in all the Shares held by Hong Kong Huafa and Huafa Property Services. Zhuhai Huafa is a PRC state-owned conglomerate based in Zhuhai, the People's Republic of China.
- The Shares are registered in the name of Canvest (China), the entire share capital of which is wholly owned by Yi Feng. Under the SFO, Yi Feng is deemed to be interested in all the Shares held by Canvest (China).
- Yi Feng is wholly owned by Canvest Environmental. Under the SFO, Canvest Environmental is deemed to be interested in all the Shares held by Canvest (China) (through its shareholding in Yi Feng).
- Canvest Environmental is owned as to 54.75% by Best Approach (which is in turn directly held as to 55% by Harvest Vista and indirectly held as to 45% by Harvest Vista through Century Rise). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest (China) is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).
- South Pacific is a direct wholly-owned subsidiary of SIIC Estate Company Limited and an indirect wholly-owned subsidiary of SIIC Investment Company Limited, SIIC International (BVI) Company Limited and SIIC. SIIC is a company incorporated in Hong Kong with limited liability and an overseas conglomerate controlled by the Shanghai municipal government. As at the date of this report, SIIC was the controlling shareholder of Shanghai Industrial Holdings Limited ("**SIHL**"), a limited liability company incorporated in Hong Kong whose shares are listed on the Stock Exchange (stock code: 0363). As at the date of this report, SIHL, through its indirect wholly-owned subsidiary, True Victor Holdings Limited, was interested in approximately 19.48% of Canvest Environmental. South Pacific is principally engaged in securities investment.

Save as disclosed above, as at 31 March 2021, the Company had not been notified of any entities/persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## Report of the Directors (Continued)

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or Cayman Companies Law, under which the Company would be required to offer new Shares on a pro-rata basis to the existing Shareholders.

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 38 of this annual report.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

### AUDITOR

The consolidated financial statements for the year ended 31 March 2021 have been audited by RSM Hong Kong. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company for the ensuing year is to be proposed at the 2021 AGM.

### CONSULTING PROFESSIONAL TAX ADVISERS

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

The Shareholders are recommended to consult professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

## Report of the Directors (Continued)

### CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend, speak and vote at the 2021 AGM (or at any adjournment thereof), and the eligible Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed as appropriate as set out below:

- (i) For determining the Shareholders' eligibility to attend, speak and vote at the 2021 AGM:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Thursday, 2 September 2021
--	--

Closure of the register of members	Friday, 3 September 2021 to Thursday, 9 September 2021 (both days inclusive)
------------------------------------	--

- (ii) Subject to the passing of the proposal for distributing the final dividend at the 2021 AGM, for determining the eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 14 September 2021
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Record date	Friday, 17 September 2021
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Closure of the register of members	Wednesday, 15 September 2021 to Friday, 17 September 2021 (both days inclusive)
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For the above purposes, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than the aforementioned latest time.

### PUBLICATION OF ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is also published on the websites of the Company ([www.johnsonholdings.com](http://www.johnsonholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

For and on behalf of the Board

**XU Jili**  
*Chairman*

Hong Kong, 29 June 2021

# Independent Auditor's Report



## RSM Hong Kong

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## To the Shareholders of Hong Kong Johnson Holdings Co., Ltd.

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 59 to 119, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matter we identified is:

### 1. Accuracy of staff costs and provision

#### Key Audit Matter

Accuracy of staff costs and provision

Refer to note 26 to the consolidated financial statements and the accounting policies on note 4(o).

The Group's staff costs comprise salaries and other staff benefits, including untaken paid leave and long service payments. The Group has a large number of staff, the costs of which account for a very substantial portion of the Group's total expenses. The Group experiences high staff turnover, especially when new service contracts are awarded or existing service contracts expire without renewal. We identified accuracy of staff costs and provision as a key audit matter because the Group's business model is labour-intensive and staff costs are critical to the Group's performance and because given the large number and high turnover of the Group's staff, there is a risk that staff costs are incorrectly calculated and/or under/over-accrued at the end of the reporting period.

#### How our audit addressed the Key Audit Matter

Our audit procedures to assess accuracy of staff costs and provision included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to accruals for staff costs;
- performing analytical procedures on the Group's salary expenses, which included forming an expectation of the current year's salaries and comparing our expectations with actual amounts recorded by the Group and investigating any significant differences identified;
- re-calculating accruals for staff benefits, other than salaries, on a sample basis, and comparing the assumptions adopted in the calculations with relevant records maintained by the Human Resources Department;
- comparing actual payments during the current year with the accruals for staff costs at the last reporting date to assess the accuracy of management's estimating process; and
- comparing actual payments subsequent to the reporting date, if any, with the amount of staff costs accrued at the reporting date to assess whether there were any significant under/over-accrued balances as at year end.





## Independent Auditor's Report (Continued)

### OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information in the Company's 2021 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Kong Wang.

**RSM Hong Kong**  
Certified Public Accountants  
Hong Kong  
29 June 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	8	<b>2,767,475</b>	1,784,981
Cost of services		<b>(2,483,632)</b>	(1,663,835)
<b>Gross profit</b>		<b>283,843</b>	121,146
Government subsidies from Employment Support Scheme of Hong Kong Special Administrative Region		<b>51,471</b>	–
Other income	9	<b>7,772</b>	2,480
Other gains	10	<b>1,094</b>	332
Allowance for account receivables	6(c)	<b>(1,830)</b>	(1,567)
Administrative expenses		<b>(116,759)</b>	(74,979)
<b>Profit from operations</b>		<b>225,591</b>	47,412
Finance costs	12	<b>(9,682)</b>	(10,354)
<b>Profit before tax</b>		<b>215,909</b>	37,058
Income tax expense	13	<b>(27,374)</b>	(8,601)
<b>Profit for the year</b>	14	<b>188,535</b>	28,457
<b>Other comprehensive income for the year, net of tax</b>		–	–
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<b>188,535</b>	28,457
<b>Earnings per share</b>			
Basic and diluted (HK cents per share)	17	<b>37.7</b>	6.6

# Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	123,704	84,167
Right-of-use assets	19	51,004	43,179
Financial assets at fair value through profit or loss ("FVTPL")	20	11,931	19,284
Deferred tax assets	29	522	–
<b>Total non-current assets</b>		<b>187,161</b>	146,630
<b>Current assets</b>			
Account receivables	21	360,155	334,853
Prepayments, deposits and other receivables	22	5,018	16,578
Current tax assets		–	2,228
Pledged bank deposits	23	24,443	16,322
Bank and cash balances	24	383,738	169,010
<b>Total current assets</b>		<b>773,354</b>	538,991
<b>Current liabilities</b>			
Account payables	25	22,857	19,216
Accruals, other payables and provisions	26	319,098	211,757
Bank and other borrowings	27	41,119	106,269
Lease liabilities	28	10,041	7,013
Current tax liabilities		22,154	–
<b>Total current liabilities</b>		<b>415,269</b>	344,255
<b>Net current assets</b>		<b>358,085</b>	194,736
<b>Total assets less current liabilities</b>		<b>545,246</b>	341,366

## Consolidated Statement of Financial Position (Continued)

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
<b>Non-current liabilities</b>			
Provisions	26	4,106	4,261
Bank and other borrowings	27	19,316	10,678
Lease liabilities	28	18,820	16,097
Deferred tax liabilities	29	14,231	10,092
<b>Total non-current liabilities</b>		<b>56,473</b>	41,128
<b>NET ASSETS</b>		<b>488,773</b>	300,238
<b>Equity</b>			
Share capital	30	5,000	5,000
Reserves	32	483,773	295,238
<b>TOTAL EQUITY</b>		<b>488,773</b>	300,238

Approved by the Board of Directors on 29 June 2021 and are signed on its behalf by:

Mr. CHEUNG Kam Chiu

Ms. XU Jili

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital HK\$'000	Share premium HK\$'000 <i>(note 32(b)(i))</i>	Merger reserve HK\$'000 <i>(note 32(b)(ii))</i>	Retained earnings HK\$'000	Total equity HK\$'000
At 31 March 2019 and 1 April 2019	3,750	–	6,450	150,829	161,029
Adjustment on initial application of HKFRS 16	–	–	–	3	3
Restated balance at 1 April 2019	3,750	–	6,450	150,832	161,032
Total comprehensive income for year	–	–	–	28,457	28,457
Issue of ordinary shares under Global Offering <i>(note 30(b))</i>	1,250	123,750	–	–	125,000
Share issuing expenses	–	(14,251)	–	–	(14,251)
Changes in equity for the year	1,250	109,499	–	28,457	139,206
At 31 March 2020 and 1 April 2020	5,000	109,499	6,450	179,289	300,238
Total comprehensive income for year	–	–	–	188,535	188,535
Changes in equity for the year	–	–	–	188,535	188,535
At 31 March 2021	<b>5,000</b>	<b>109,499</b>	<b>6,450</b>	<b>367,824</b>	<b>488,773</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	215,909	37,058
Adjustments for:		
Depreciation of property, plant and equipment	25,473	13,349
Fair value gain on financial assets at FVTPL	(719)	(249)
Finance costs	9,682	10,354
Interest income	(132)	(456)
Dividend income from financial assets at FVTPL	(93)	(100)
Depreciation of right-of-use assets	8,933	4,645
Gain on disposals/written off of property, plant and equipment, net	(375)	(83)
Allowance for account receivables	1,830	1,567
Provision for employee benefits	50,107	29,125
Operating profit before working capital changes	310,615	95,210
Increase in account receivables	(27,132)	(67,657)
Decrease/(increase) in prepayments, deposits and other receivables	11,560	(4,569)
Increase in account payables	3,641	5,376
Increase in accruals and other payables	57,079	32,605
Cash generated from operations	355,763	60,965
Income taxes refund/(paid)	625	(2,243)
Interest on lease liabilities	(1,059)	(491)
Net cash generated from operating activities	355,329	58,231
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase)/decrease in pledged bank deposits	(8,121)	38
Interest received	132	456
Dividend received from financial assets at FVTPL	93	100
Purchases of property, plant and equipment	(65,010)	(71,157)
Payment of right-of-use assets	(3,122)	(1,787)
Proceeds from disposals/written off of property, plant and equipment	375	109
Proceeds from redemption of financial assets at FVTPL	8,072	–
Purchases of financial assets at FVTPL	–	(465)
Net cash used in investing activities	(67,581)	(72,706)



## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2021

	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from issue of shares	–	107,151
Drawdown of bank loans and other borrowings	72,695	143,762
Repayment of bank loans and other borrowings	(112,818)	(138,109)
Decrease in factoring loans	(16,389)	(2,455)
Principal elements of lease payment	(7,885)	(4,298)
Interest paid	(8,623)	(9,863)
Net cash (used in)/generated from financing activities	(73,020)	96,188
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>214,728</b>	81,713
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>169,010</b>	87,297
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>383,738</b>	169,010
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	383,738	169,010

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 July 2018. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The address of its principal place of business is 11/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2019.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprises Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. These consolidated financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### (a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### (a) Application of new and revised HKFRSs (Continued)

##### *Amendments to HKAS 1 and HKAS 8 Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

##### *Amendments to HKFRS 3 Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. The application of the amendments had no impact on the consolidated financial statements as the Group had no acquisition.

##### *Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform*

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group had not applied hedge accounting.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

#### (b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
HKFRS 17 Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's functional and presentation currency.

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### (c) Property, plant and equipment

Property, plant and equipment, including buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% or over the lease term if shorter
Leasehold improvements	20%
Furniture and equipment	20%
Plant and machinery	20%
Motor vehicles	20%
Computer and software	10%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Leases (Continued)

##### (i) *The Group as a lessee (Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.





## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Debt instruments*

Debt instruments held by the Group are classified into the following measurement category:

- amortised cost, if the instruments is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income (“**FVTOCI**”) (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

### (g) Account and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit loss ("ECL").

### (i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### (j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (k) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Account and other payables

Account and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (m) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (n) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from cleaning, janitorial and other related services is recognised over time as the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The progress towards complete satisfaction of a performance obligation is measured based on an output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of the services.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income from financial assets at FVTPL is recognised when the rights to receive payment are established.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Employees benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### (iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits. The Group provides for the probable future redundancy cost, long service payment and gratuity expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance.

### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### (r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### (s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Impairment of non-financial assets (Continued)

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (t) Impairment of financial assets

The Group recognises a loss allowance for ECL on account receivables as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for account receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Impairment of financial assets (Continued)

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Impairment of financial assets (Continued)

#### *Measurement and recognition of ECL (Continued)*

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### (u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 March 2021 was HK\$123,704,000 (2020: HK\$84,167,000).

#### (b) Impairment of account receivables

The management of the Group estimates the amount of impairment loss for ECL on account receivables based on the credit risk of account receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2021, the carrying amount of account receivables is HK\$360,155,000 (net of allowance for account receivables of HK\$3,799,000) (2020: HK\$334,853,000 (net of allowance for account receivables of HK\$2,007,000)).

#### (c) Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year ended 31 March 2021, income tax of HK\$27,374,000 (2020: HK\$8,601,000) was charged to profit or loss based on the estimated profit.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### (d) Provision for employee benefits

The Group provides for the probable unutilised annual leave payments and future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees at the end of the reporting period. In addition, the Group makes provision for lump sum long service payments and gratuity on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

As at 31 March 2021, provision for employee benefits amounted to HK\$86,826,000 (2020: HK\$43,739,000).

### 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### (b) Price risk

The Group is exposed to equity price risk mainly through its investments in unlisted unit trusts. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the unit prices of the investments in unlisted unit trusts had been 5% higher/lower, consolidated profit after tax for the year ended 31 March 2021 would increase/decrease by HK\$98,000 (2020: HK\$82,000) as a result of the changes in fair value of financial assets at FVTPL.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

#### *Account receivables*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 14 to 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Credit risk (Continued)

##### *Account receivables (Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for account receivables as at 31 March 2021:

	2021		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.10%	301,548	300
Up to 90 days past due	0.26%	45,748	117
91–120 days past due	0.29%	1,304	4
121–365 days past due	5.71%	10,758	614
More than 365 days past due	60.13%	4,596	2,764
		<b>363,954</b>	<b>3,799</b>
	2020		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.14%	257,355	362
Up to 90 days past due	0.17%	65,382	113
91–120 days past due	0.20%	4,589	10
121–365 days past due	4.91%	8,150	400
More than 365 days past due	81.11%	1,384	1,122
		<b>336,860</b>	<b>2,007</b>

Expected loss rates are based on actual loss provided for account receivables aged over 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Credit risk (Continued)

##### *Account receivables (Continued)*

Movement in the loss allowance for account receivables during the year is as follows:

	2021 HK\$'000	2020 HK\$'000
At the beginning of year	2,007	440
Allowance for account receivables recognised for the year	1,830	1,567
Written off	(38)	–
At the end of year	3,799	2,007

#### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
<b>At 31 March 2021</b>				
Account payables	22,857	–	–	22,857
Accruals and other payables	229,514	–	–	229,514
Bank and other borrowings (note)	42,328	7,788	12,719	62,835
Lease liabilities	11,247	8,500	11,454	31,201
<b>At 31 March 2020</b>				
Account payables	19,216	–	–	19,216
Accruals and other payables	166,399	–	–	166,399
Bank and other borrowings (note)	106,871	3,547	7,993	118,411
Lease liabilities	8,025	7,900	9,160	25,085

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Liquidity risk (Continued)

Note:

Bank and factoring loans with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 March 2021, the aggregate undiscounted principal amounts of these bank and factoring loans amounted to HK\$34,380,000 (2020: HK\$103,324,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank and factoring loans with a repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>At 31 March 2021</b>					
Bank and factoring loans	34,540	–	–	–	34,540
<b>At 31 March 2020</b>					
Bank and factoring loans	104,759	414	1,026	924	107,123

#### (e) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates that vary with the then prevailing market condition.

As at 31 March 2021, if interest rates had been 50 basis points lower/higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$3,000 lower/higher respectively, arising mainly as a result of lower/higher interest income on bank deposits (2020: HK\$233,000 higher/lower respectively, arising mainly as a result of lower/higher interest expense on bank borrowings).

#### (f) Categories of financial instruments as at 31 March

	2021 HK\$'000	2020 HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost	771,755	534,996
Financial assets at FVTPL	11,931	19,284
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	312,806	302,562

#### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

#### (a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using:		Total
	Level 2 HK\$'000	Level 3 HK\$'000	31 March 2021 HK\$'000
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,962	–	1,962
Investments in life insurance	–	9,969	9,969
<b>Total</b>	<b>1,962</b>	<b>9,969</b>	<b>11,931</b>

Description	Fair value measurements using:		Total
	Level 2 HK\$'000	Level 3 HK\$'000	31 March 2020 HK\$'000
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,638	–	1,638
Investments in life insurance	–	17,646	17,646
<b>Total</b>	<b>1,638</b>	<b>17,646</b>	<b>19,284</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. FAIR VALUE MEASUREMENTS (Continued)

#### (b) Reconciliation of assets measured at fair value based on level 3:

	2021 HK\$'000	2020 HK\$'000
Financial assets at FVTPL		
Investments in life insurance		
At beginning of year	17,646	16,589
Redemption	(8,072)	–
Additions	–	465
	9,574	17,054
Total gains recognised in profit or loss	395	592
At end of year	9,969	17,646

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains in the consolidated statement of profit or loss and other comprehensive income.

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's Chief Financial Controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The Chief Financial Controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the Chief Financial Controller and the Board of Directors at least twice a year.

##### Level 2 fair value measurements

Description	Valuation technique	Assets fair value As at 31 March	
		2021 HK\$'000	2020 HK\$'000
Investments in unlisted unit trusts	Derived from quoted unit prices	1,962	1,638

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 7. FAIR VALUE MEASUREMENTS (Continued)

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

##### *Level 3 fair value measurements*

The investments in life insurance in level 3 represents life insurance policies for key management (note 20). The fair value of key management life insurance policies is determined by reference to the cash surrender value of the insurance policies.

If the cash surrender value of the insurance policies, increased/decreased by 6% per annum, the Group's consolidated profit for the year ended 31 March 2021 and retained earnings would be increased/decreased by HK\$598,000 (2020: HK\$1,059,000).

There were no changes in the valuation techniques used.

### 8. REVENUE

#### (a) Disaggregation of revenue

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Cleaning, janitorial and other related services income	2,767,475	1,784,981
<b>Timing of revenue recognition</b>		
Services transferred over time	2,767,475	1,784,981

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 8. REVENUE (Continued)

#### (b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021 and the expected timing of recognising revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	2,268,597	1,466,792
More than one year but not more than two years	1,093,872	697,234
More than two years	195,088	57,892
	<b>3,557,557</b>	2,221,918

### 9. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Interest income	132	456
Dividend income from financial assets at FVTPL	93	100
Government subsidies ( <i>note</i> )	7,467	1,575
Sundry income	80	349
	<b>7,772</b>	2,480

*Note:* The amounts represent government grants for eligible goods vehicles under One-off Subsidy, the ex-gratia payments for the retirement of certain motor vehicles and other subsidies received from the Government of the Hong Kong Special Administrative Region.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 10. OTHER GAINS

	2021 HK\$'000	2020 HK\$'000
Gain on disposals/written off of property, plant and equipment, net	375	83
Fair value gains on financial assets at FVTPL	719	249
	<b>1,094</b>	332

### 11. SEGMENT INFORMATION

The Group has carried on a single business, which is provision of cleaning, janitorial and other related services in Hong Kong. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

#### Geographical information:

No geographical information is presented as all of the Group's business is carried out in Hong Kong and the Group's revenue from external customers is generated and non-current assets are located in Hong Kong during the year.

#### Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A	1,143,051	645,082
Customer B	949,887	451,151

### 12. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	1,059	491
Interest on bank and other borrowings	8,623	9,863
	<b>9,682</b>	10,354

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 13. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	23,612	1,293
Under-provision in prior years	145	142
	23,757	1,435
Deferred tax ( <i>note 29</i> )	3,617	7,166
	27,374	8,601

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in these jurisdictions.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 March 2021 and 2020.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before tax	215,909	37,058
Tax at the Hong Kong Profits Tax rate of 16.5% (2020:16.5%)	35,625	6,115
Tax effect of income that is not taxable	(8,969)	(100)
Tax effect of expenses that are not deductible	849	2,534
Tax concession	(10)	(20)
Under-provision in prior year	145	142
Others	(266)	(70)
Income tax expense	27,374	8,601



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	1,130	1,080
Cost of services ( <i>note a</i> )	2,483,632	1,663,835
Depreciation of property, plant and equipment	25,473	13,349
Depreciation of right-of-use assets	8,933	4,645
Listing expenses	–	10,861
Allowance for account receivables	1,830	1,567
Staff costs including labour cost, employee expenses and directors' emoluments		
Salaries, bonuses and allowances	2,144,126	1,419,254
Provision for employee benefits ( <i>note b</i> )	50,107	29,125
Retirement benefit scheme contributions	56,251	34,858
Other benefits	1,829	1,516
	<b>2,252,313</b>	<b>1,484,753</b>

Notes:

- (a) For the year ended 31 March 2021, the cost of services, amongst others, includes labour costs and depreciation totaling HK\$2,200,941,000 (2020: HK\$1,460,243,000).
- (b) Provision for employee benefits includes unutilised annual leave, estimated long service payments, gratuity and redundancy cost.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' emoluments

The remuneration of each director was as follows:

Name of director	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>For the year ended 31 March 2021</b>					
<b>Executive Directors</b>					
Mr. CHEUNG Kam Chiu	–	3,500	15,044	507	19,051
Mr. SZETO Wing Tak	–	3,500	15,044	507	19,051
<b>Non-executive Directors</b>					
Ms. XU Jili	*–	–	–	–	–
Ms. LI Yanmei	*–	–	–	–	–
Mr. XIE Hui	*–	–	–	–	–
Mr. YE Ning	*–	–	–	–	–
Ms. LEE Wing Yee Loretta	*–	–	–	–	–
Ms. WONG Ling Fong Lisa	*–	–	–	–	–
Mr. ZHOU Wenjie	*–	–	–	–	–
<b>Independent Non-executive Directors</b>					
Mr. FAN Chiu Tat Martin	120	–	–	–	120
Dr. GUAN Yuyan	120	–	–	–	120
Mr. HONG Kam Le	120	–	–	–	120
Mr. LEUNG Siu Hong	120	–	–	–	120
Ms. RU Tingting	120	–	–	–	120
	<b>600</b>	<b>7,000</b>	<b>30,088</b>	<b>1,014</b>	<b>38,702</b>
<b>For the year ended 31 March 2020</b>					
<b>Executive Directors</b>					
Mr. CHEUNG Kam Chiu	–	3,380	3,137	507	7,024
Mr. SZETO Wing Tak	–	3,380	3,137	507	7,024
<b>Non-executive Directors</b>					
Ms. XU Jili	–	–	–	–	–
Ms. LI Yanmei	–	–	–	–	–
Mr. XIE Hui	–	–	–	–	–
Mr. YE Ning	–	–	–	–	–
Ms. LEE Wing Yee Loretta	–	–	–	–	–
Ms. WONG Ling Fong Lisa	–	–	–	–	–
Mr. ZHOU Wenjie	–	–	–	–	–
<b>Independent Non-executive Directors</b>					
Mr. FAN Chiu Tat Martin	55	–	–	–	55
Dr. GUAN Yuyan	55	–	–	–	55
Mr. HONG Kam Le	55	–	–	–	55
Mr. LEUNG Siu Hong	55	–	–	–	55
Ms. RU Tingting	55	–	–	–	55
	<b>275</b>	<b>6,760</b>	<b>6,274</b>	<b>1,014</b>	<b>14,323</b>

\* The fee paid to each of the non-executive directors was HK\$1, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The bonuses are determined with reference to the financial performance of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

#### (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2020: two) whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining three individuals are set out below:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	4,310	2,203
Bonuses	604	525
Retirement benefit scheme contributions	137	202
	5,051	2,930

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–

During the year, no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

#### (c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 16. DIVIDENDS

Subsequent to the end of the reporting period, the final dividend in respect of the year ended 31 March 2021 of HK7.5 cents per share has been proposed and recommended for payment by the directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

### 17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2021 HK\$'000	2020 HK\$'000
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share	<b>188,535</b>	28,457

	2021 '000	2020 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>500,000</b>	432,377

The weighted average numbers of ordinary shares used as denominator for calculating the basic and diluted earnings per share are the same for the year ended 31 March 2021. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2020 has been adjusted for the effect of the Global Offering as more fully explained in note 30(b).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Computer and software HK\$'000	Total HK\$'000
<b>Cost</b>							
At 31 March 2019 and 1 April 2019	7,532	196	3,658	3,734	72,265	1,183	88,568
Reclassification due to adoption of HKFRS 16	-	-	-	-	(14,271)	-	(14,271)
Additions	-	-	3,880	1,357	65,920	-	71,157
Disposals and written off	-	-	-	-	(2,422)	-	(2,422)
Transfer from right-of-use assets	-	-	-	-	878	-	878
At 31 March 2020 and 1 April 2020	7,532	196	7,538	5,091	122,370	1,183	143,910
Additions	-	-	315	5,002	59,693	-	65,010
Disposals and written off	-	-	-	-	(5,381)	-	(5,381)
At 31 March 2021	<b>7,532</b>	<b>196</b>	<b>7,853</b>	<b>10,093</b>	<b>176,682</b>	<b>1,183</b>	<b>203,539</b>
<b>Accumulated depreciation</b>							
At 31 March 2019 and 1 April 2019	1,832	78	3,632	2,077	43,727	326	51,672
Reclassification due to adoption of HKFRS 16	-	-	-	-	(3,219)	-	(3,219)
Charge for the year	204	39	194	817	11,977	118	13,349
Disposals and written off	-	-	-	-	(2,396)	-	(2,396)
Transfer from right-of-use assets	-	-	-	-	337	-	337
At 31 March 2020 and 1 April 2020	2,036	117	3,826	2,894	50,426	444	59,743
Charge for the year	204	39	827	1,265	23,020	118	25,473
Disposals and written off	-	-	-	-	(5,381)	-	(5,381)
At 31 March 2021	<b>2,240</b>	<b>156</b>	<b>4,653</b>	<b>4,159</b>	<b>68,065</b>	<b>562</b>	<b>79,835</b>
<b>Carrying amount</b>							
At 31 March 2021	<b>5,292</b>	<b>40</b>	<b>3,200</b>	<b>5,934</b>	<b>108,617</b>	<b>621</b>	<b>123,704</b>
At 31 March 2020	5,496	79	3,712	2,197	71,944	739	84,167

As at 31 March 2021, certain motor vehicles with the carrying amount of HK\$28,032,000 (2020: HK\$13,319,000) were pledged as security for the Group's other borrowings.

As at 31 March 2020, the buildings were pledged as security for the Group's bank and other borrowings. As at 31 March 2021, the buildings' pledge was fully released.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 19. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Motor vehicles HK\$'000	Leased properties HK\$'000	Total HK\$'000
At 31 March 2019 and 1 April 2019	18,267	11,052	198	29,517
Additions	–	12,780	6,068	18,848
Depreciation	(652)	(2,969)	(1,024)	(4,645)
Transfer to property, plant and equipment	–	(541)	–	(541)
At 31 March 2020 and 1 April 2020	17,615	20,322	5,242	43,179
Additions	–	16,758	–	16,758
Depreciation	(652)	(6,167)	(2,114)	(8,933)
At 31 March 2021	<b>16,963</b>	<b>30,913</b>	<b>3,128</b>	<b>51,004</b>

Lease liabilities of HK\$28,861,000 (2020:HK\$23,110,000) are recognised with related right-of-use assets of HK\$34,041,000 as at 31 March 2021 (2020:HK\$25,564,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for bank and other borrowing purposes. As at 31 March 2020, the leasehold lands were pledged as security for bank and other borrowings. As at 31 March 2021, the leasehold lands' pledge was fully released.

The analysis of income and expense items in relation lease charged to profit or loss is as follows:

	2021 HK\$'000	2020 HK\$'000
Depreciation expenses on right-of-use assets	<b>8,933</b>	4,645
Interests expense on lease liabilities (included in finance costs)	<b>1,059</b>	491
Expenses relating to short-term lease (included in cost of goods sold and administrative)	<b>375</b>	356

Details of total cash outflow for leases is set out in note 36(c).

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 20. FINANCIAL ASSETS AT FVTPL

	2021 HK\$'000	2020 HK\$'000
Unlisted investments		
Financial assets at FVTPL		
Investments in unlisted unit trusts (Note)	1,962	1,638
Investments in life insurance (Note 7(b))	9,969	17,646
Analysed as non-current assets	11,931	19,284

Note: Dividend income of HK\$93,000 (2020: HK\$100,000) were received from these investments during the year.

The fair values of investments in unit trusts are determined by the number of unit trust held by the Group times its indicative market value at the end of each reporting period. The indicative market value is quoted by the unit trust and is calculated from its net asset value on each dealing day. As at 31 March 2021 and 2020, all the unlisted unit trusts were pledged for banking facilities granted to the Group.

Investments in life insurance represent investments in life insurance policies for the key management, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak. There are no fixed maturity and no market price for such investment. The return of the investments will be based on the guaranteed minimum return rate. The fair values of investments in life insurance are based on the surrender value of the life insurance policies at the end of each reporting period. As at 31 March 2021 and 2020, all the investments in life insurance were pledged for banking facilities granted to the Group.

Financial assets at FVTPL are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	1,962	1,638
United States dollars ("USD")	9,969	17,646
	11,931	19,284

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 21. ACCOUNT RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Account receivables	<b>363,954</b>	336,860
Allowance for account receivables ( <i>note 6(c)</i> )	<b>(3,799)</b>	(2,007)
	<b>360,155</b>	334,853

The credit terms of account receivables generally range from 14 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of account receivables, based on the invoice date, is as follows:

	2021 HK\$'000	2020 HK\$'000
Up to 90 days	<b>336,448</b>	303,299
91 to 180 days	<b>13,560</b>	24,615
181 days to 1 year	<b>9,205</b>	7,439
Over 1 year	<b>4,741</b>	1,507
	<b>363,954</b>	336,860

As at 31 March 2021, HK\$36,868,000 (2020: HK\$55,452,000) of account receivables were pledged to banks to secure factoring loans as set out in note 27 to the consolidated financial statements.

The carrying amounts of the Group's account receivables are denominated in HK\$.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 21. ACCOUNT RECEIVABLES (Continued)

#### Transfer of financial assets

The followings were the Group's account receivables as at 31 March 2021 and 2020 that were transferred to banks by factoring account receivables on recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the account receivables and has recognised the cash received on the transfer as secured factoring loans (note 27). These financial assets were carried at amortised cost in the Group's consolidated statements of financial position.

	2021 HK\$'000	2020 HK\$'000
Carrying amount of transferred assets	36,868	55,452
Carrying amount of associated liabilities	(33,518)	(49,907)
Net position	3,350	5,545

### 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	1,599	1,767
Deposits	1,271	1,189
Other receivables	2,148	3,674
Subsidy receivables	–	9,948
	5,018	16,578

### 23. PLEDGED BANK DEPOSITS

The pledged bank deposits represented deposits pledged to banks to secure bank and other borrowings and banking facilities of the Group as set out in note 27 to the consolidated financial statements. The pledged bank deposits were with maturity of three months or less than three months.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 24. BANK AND CASH BALANCES

	2021 HK\$'000	2020 HK\$'000
Bank balances	<b>383,629</b>	168,764
Cash on hand	<b>109</b>	246
	<b>383,738</b>	169,010

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	<b>383,608</b>	168,865
USD	<b>97</b>	111
Renminbi	<b>33</b>	34
	<b>383,738</b>	169,010

### 25. ACCOUNT PAYABLES

The ageing analysis of account payables, based on the date of receipt of goods or services, is as follows:

	2021 HK\$'000	2020 HK\$'000
Up to 30 days	<b>15,457</b>	18,693
31 to 60 days	<b>5,478</b>	493
61 to 90 days	<b>1,776</b>	–
Over 90 days	<b>146</b>	30
	<b>22,857</b>	19,216

The carrying amounts of the Group's account payables are denominated in HK\$.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 26. ACCRUALS, OTHER PAYABLES AND PROVISIONS

	2021 HK\$'000	2020 HK\$'000
Accrued staff costs and provisions	321,077	202,634
Other accruals	1,681	8,207
Other payables	446	5,177
	<b>323,204</b>	216,018

Presented as:

	2021 HK\$'000	2020 HK\$'000
Current liabilities	319,098	211,757
Non-current liabilities – Provisions for employee benefits	4,106	4,261
	<b>323,204</b>	216,018

Movement in provision for employee benefits is as follows:

	HK\$'000
At 31 March 2019 and 1 April 2019	25,668
Addition	29,125
Utilisation	(11,054)
At 31 March 2020 and 1 April 2020	43,739
Addition	55,694
Utilisation	(12,607)
At 31 March 2021	<b>86,826</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 27. BANK AND OTHER BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Bank loans	862	53,417
Factoring loans	33,518	49,907
Other borrowings	26,055	13,623
	<b>60,435</b>	116,947

The bank and other borrowings are repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	41,119	94,963
More than one year, but not exceeding two years	7,072	3,103
More than two years, but not more than five years	12,244	7,575
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	–	11,306
	<b>60,435</b>	116,947
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(41,119)</b>	(106,269)
Amount due for settlement after 12 months (shown under non-current liabilities)	<b>19,316</b>	10,678

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 27. BANK AND OTHER BORROWINGS (Continued)

The interest rates per annum were as follows:

	2021	2020
Bank loans	<b>HIBOR +2%</b>	HIBOR +1.18% to HIBOR +3.00%
Factoring loans	<b>HIBOR +1.6% to Prime – 2%</b>	3.50%-3.93%
Other borrowings	<b>4.23% to 4.92%</b>	4.91%

Bank and factoring loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings of HK\$26,055,000 (2020: HK\$13,623,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

All bank and other borrowings are denominated in HK\$.

As at 31 March 2021, all bank loans were secured by the Group's pledged bank deposits and account receivables.

As at 31 March 2020, bank loans amounted to HK\$33,417,000 were secured by the Group's pledged bank deposits, account receivables, buildings, right-of-use assets and financial assets at FVTPL.

As at 31 March 2021, factoring loans amounted to HK\$33,518,000 (2020: HK\$49,907,000) were secured by the Group's account receivables, of which HK\$29,340,000 (2020: HK\$49,884,000) were additional secured by the Group's pledged bank deposits and financial assets at FVTPL.

As at 31 March 2021 and 2020, all other borrowings were secured by the Group's motor vehicles.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 28. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	11,247	8,025	10,041	7,013
In the second to fifth years, inclusive	19,954	17,060	18,820	16,097
	<b>31,201</b>	25,085	<b>28,861</b>	23,110
Less: Future finance charges	(2,340)	(1,975)	N/A	N/A
Present value of lease obligations	<b>28,861</b>	23,110	<b>28,861</b>	23,110
Less: Amount due for settlement within 12 months (shown under current liabilities)			<b>(10,041)</b>	(7,013)
Amount due for settlement after 12 months (shown under non-current liabilities)			<b>18,820</b>	16,097

As at 31 March 2021, the lease liabilities of the Group of HK\$26,193,000 were secured by motor vehicles under right-of-use assets (2020: HK\$18,336,000).

The weighted average incremental borrowing rates applied to lease liabilities range from 3.3% to 4.9% (2020: from 3.3% to 4.6%).

All lease liabilities are denominated in HK\$.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 29. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Allowance for account receivables HK\$'000	Total HK\$'000
At 1 April 2019	2,926	–	–	2,926
Charge to profit or loss for the year (note 13)	7,166	–	–	7,166
At 31 March 2020 and 1 April 2020	10,092	–	–	10,092
Charge to profit or loss for the year (note 13)	5,896	(1,652)	(627)	3,617
At 31 March 2021	<b>15,988</b>	<b>(1,652)</b>	<b>(627)</b>	<b>13,709</b>

The following is the analysis of the deferred tax balances (after offset) for presentation in the consolidated statement of financial position purpose:

	2021 HK\$'000	2020 HK\$'000
Deferred tax liabilities	<b>14,231</b>	10,092
Deferred tax assets	<b>(522)</b>	–
	<b>13,709</b>	10,092

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 30. SHARE CAPITAL

	<i>Note</i>	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
At 1 April 2019		375,000,000	3,750
Increase of authorised capital	<i>(a)</i>	2,625,000,000	26,250
At 31 March 2020, 1 April 2020 and 31 March 2021		<b>3,000,000,000</b>	<b>30,000</b>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
At 1 April 2019		375,000,000	3,750
Global offering of shares	<i>(b)</i>	125,000,000	1,250
At 31 March 2020, 1 April 2020 and 31 March 2021		<b>500,000,000</b>	<b>5,000</b>

Notes:

- (a) On 3 September 2019, the authorised share capital of the Company was increased from HK\$3,750,000 to HK\$30,000,000 divided into 3,000,000,000 shares of HK\$0.01 each.
- (b) On 16 October 2019, the Company issued a total of 125,000,000 shares by way of global public offering at a price of HK\$1.0 each for a total cash consideration, before expenses, of HK\$125,000,000 (the "Global Offering").





## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 30. SHARE CAPITAL (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total debt less cash and bank balances divided by total equity. Total debt comprises bank and other borrowings (except for bank overdrafts) and lease liabilities. Total equity comprises all components of equity (i.e. share capital, share premium, merger reserve and retained earnings).

The Group's strategy, which was unchanged throughout the year, was to maintain the net gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost.

As at 31 March 2021, bank and cash balances amounted to HK\$383,738,000 (2020: HK\$169,010,000), which exceed total debt of HK\$89,296,000 (2020: HK\$140,057,000). Accordingly, there was no net debt as at 31 March 2021 and 2020 and calculation of debt-to-equity ratio as at 31 March 2021 and 2020 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call certain borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 March 2021 and 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### (a) Statement of financial position of the Company

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Investment in a subsidiary		157,699	157,699
<b>Current Assets</b>			
Amount due from a subsidiary	38	111,376	111,576
Bank balances		352	164
		<b>111,728</b>	111,740
<b>Current liabilities</b>			
Accruals		1,108	1,108
<b>Net current assets</b>		<b>110,620</b>	110,632
<b>NET ASSETS</b>		<b>268,319</b>	268,331
<b>Equity</b>			
Share capital	30	5,000	5,000
Reserves	31(b)	263,319	263,331
<b>TOTAL EQUITY</b>		<b>268,319</b>	268,331

Approved by the Board of Directors on 29 June 2021 and are signed on its behalf by:

Mr. CHEUNG Kam Chiu

Ms. XU Jili

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

#### (b) Reserve movement of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000 <i>(note 32(b)(iii))</i>	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019	–	153,949	(28)	153,921
Total comprehensive income for the year	–	–	(89)	(89)
Issue of ordinary shares under Global Offering	123,750	–	–	123,750
Share issuing expenses	(14,251)	–	–	(14,251)
At 31 March 2020 and 1 April 2020	<b>109,499</b>	<b>153,949</b>	<b>(117)</b>	<b>263,331</b>
Total comprehensive income for the year	–	–	(12)	(12)
At 31 March 2021	<b>109,499</b>	<b>153,949</b>	<b>(129)</b>	<b>263,319</b>

### 32. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

#### (b) Nature and purpose of reserves

##### (i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

## 32. RESERVES (Continued)

### (b) Nature and purpose of reserves (Continued)

#### (ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of shares of a subsidiary acquired pursuant to the Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the Company’s prospectus dated 27 September 2019, over the nominal value of the share capital of the Company issued in exchange thereof.

#### (iii) Contributed surplus

Contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the Reorganisation over the nominal value of the Company’s shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company’s assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

## 33. CONTINGENT LIABILITIES

### (a) Performance bonds

As at 31 March 2021, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to approximately HK\$404,399,000 (2020: HK\$285,358,000). The performance bonds were secured by the Group’s pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

### (b) Litigations

As at 31 March 2021, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees and third parties with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$4,575,000 (2020: HK\$1,116,000). In the opinion of the directors of the Company, the provision of insurance deductibles had been provided for based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group’s insurance policies.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 34. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	5,674	1,103

### 35. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

The Group regularly entered into short-term leases for warehouses and carparks. As at 31 March 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 19.

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the additions to right-of-use assets and lease liabilities of HK\$13,636,000 (2020: HK\$17,061,000) were recognised.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Lease liabilities</b> HK\$'000 (note 28)	<b>Factoring loans</b> HK\$'000 (note 27)	<b>Bank loans</b> HK\$'000 (note 27)	<b>Other borrowings</b> HK\$'000 (note 27)	<b>Finance lease payables</b> HK\$'000
At 31 March 2019 and 1 April 2019	–	52,362	61,387	–	10,152
Impact on initial application of HKFRS 16	10,347	–	–	–	(10,152)
Restated balance at 1 April 2019	10,347	52,362	61,387	–	–
Additions	17,061	–	–	–	–
Interest expenses	491	6,431	3,319	113	–
Cash flows	(4,789)	(8,886)	(11,289)	13,510	–
At 31 March 2020 and 1 April 2020	23,110	49,907	53,417	13,623	–
Additions	13,636	–	–	–	–
Interest expenses	1,059	5,852	1,783	988	–
Cash flows	(8,944)	(22,241)	(54,338)	11,444	–
At 31 March 2021	<b>28,861</b>	<b>33,518</b>	<b>862</b>	<b>26,055</b>	–

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 HK\$'000	2020 HK\$'000
Within operating cash flows	537	456
Within financing cash flows	2,107	889
	<b>2,644</b>	1,345

These amounts relate to the following:

	2021 HK\$'000	2020 HK\$'000
Lease rental paid	<b>2,644</b>	1,345

### 37. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2021 HK\$'000	2020 HK\$'000
Listing expenses to related companies ( <i>note</i> )	–	2,918
Compliance advisor fee to a related company ( <i>note</i> )	840	386
Printer service fee to a related company ( <i>note</i> )	–	193

*Note:* The related companies have common shareholder – Zhuhai Huafa Group Company Limited.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 March 2021

### 37. RELATED PARTY TRANSACTIONS (Continued)

- (b) The remuneration of directors of the Company and other members of key management personnel during the year were as follows:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	13,744	9,504
Bonuses	31,241	7,650
Retirement benefit scheme contributions	1,277	1,263
	46,262	18,417

### 38. ALL SUBSIDIARIES

Name	Place of incorporation/ establishment/ operation	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal Activities
			2021	2020	
<b>Directly held:</b>					
Johnson Investment Holding Co., Ltd.	BVI	HK\$2	100%	100%	Investment holding
<b>Indirectly held:</b>					
Johnson Cleaning Services Company Limited	Hong Kong	HK\$10,200,000	100%	100%	Provision of cleaning, janitorial and other related services
Johnson Environmental Company Limited	Hong Kong	HK\$5,000,000	100%	–	Provision of garbage logistics and other related services
i-CLEAN LIMITED	Hong Kong	HK\$1,000,000	100%	–	Provision of distribution agency services and other related services.

Amount due from a subsidiary is interest free, unsecured and no fixed term of repayment.



## Five Year Financial Summary

	Year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Results</b>					
Revenue	<b>2,767,475</b>	1,784,981	1,433,383	1,286,021	1,204,063
Profit before tax	<b>215,909</b>	37,058	28,236	41,928	52,719
Income tax expense	<b>(27,374)</b>	(8,601)	(6,429)	(5,997)	(8,381)
Profit for the year	<b>188,535</b>	28,457	21,807	35,931	44,338
	As at 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Assets and liabilities</b>					
Total assets	<b>960,515</b>	685,621	455,984	395,198	333,188
Total liabilities	<b>(471,742)</b>	(385,383)	(294,955)	(255,976)	(214,897)
Total Equity attributable to equity Shareholders	<b>488,773</b>	300,238	161,029	139,222	118,291

# Definitions

In this annual report, the following terms shall have the following meanings, unless the context otherwise requires:

“14th Five-Year Plan”	outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035
“2021 AGM”	the annual general meeting of the Company to be held on 9 September 2021
“Articles of Association”	the amended and restated articles of association of the Company adopted on 3 September 2019 and as supplemented, amended or otherwise modified from time to time
“Board”	the board of Directors
“Cayman Companies Law”	Companies Law of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“China”, “the PRC” or “National”	the People's Republic of China
“Company” or “Johnson Holdings”	Hong Kong Johnson Holdings Co., Ltd. (香港莊臣控股有限公司) (stock code: 1955), a company incorporated in the Cayman Islands as an exempted company with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange
“COVID-19”	coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Greater Bay Area” or “GBA”	the Guangdong-Hong Kong-Macao Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province
“Group”	the Company and its subsidiaries



## Definitions (Continued)

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Johnson Environmental”	Johnson Environmental Company Limited (莊臣環保有限公司)
“Listing Date”	16 October 2019, being the date on which the Shares first becoming listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Prospectus”	the Company’s prospectus dated 27 September 2019
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Year” or “year under review”	the financial year ended 31 March 2021
“%”	per cent