



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

2019/20

Interim Report

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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

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

Joint Company Secretaries

Mr. Li, Zhuang

Ms. Lee, Mei Yi

Registered Office

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

11/F China Aerospace Centre

No. 143 Hoi Bun Road

Kwun Tong

Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Harneys Fiduciary (Cayman) Limited

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Corporate Information (Continued)

Legal Advisers

As to Hong Kong law
Bird & Bird

As to Cayman Islands law
Harney Westwood & Riegels

Compliance Adviser

WAG Worldsec Corporate Finance Limited

Independent Auditor

RSM Hong Kong
Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

Stock Code

1955

Website

www.johnsonholdings.com

Management Discussion and Analysis

Result

Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”), together with its subsidiaries (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 building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services.

The Group recorded a revenue of approximately HK\$853.4 million in the six months ended 30 September 2019 (the “**Period**”), representing an increase of 23.4% compared with the same period last year. The Group’s overall gross profit margin decreased from approximately 7.5% to 6.9%, which was mainly due to the keen competition in the market, coupled with an increase in labour costs.

Profit attributable to owners of the Company increased by approximately HK\$2.1 million or 16.2% from approximately HK\$13.3 million for six months ended 30 September 2018 to approximately HK\$15.4 million for the Period. The increase was mainly due to the increase in gross profit by approximately HK\$6.5 million from our customers, partly offset by (i) increase in directors’ bonus for approximately HK\$0.8 million; and (ii) increase in finance costs incurred as compared with the corresponding period in 2018 for approximately HK\$2.0 million due to the increase in bank borrowings.

Business Review and Prospects

The Group provides a wide range of environmental hygiene services to all major districts throughout Hong Kong including provision of building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services. We have been recognised as a registered supplier for providing environmental hygiene service for the Hong Kong Government since 1990 and have become one of the major environmental hygiene service providers for various departments of the Hong Kong Government. Apart from the providing environmental hygiene services to various departments of the Government, we have also provided the services to numerous non-government sector customers such as property management companies and education institutions.

Works in environmental hygiene services have been broken down into jobs with smaller time segments or looser contractual terms. It is observed that there are insufficient applications with relatively higher turnover in environmental hygiene services market. In view of the high turnover rate in the industry, our Group offers workers competitive remuneration packages, personal growth opportunities and flexible schedule, and continues to introduce automated or advanced cleaning devices to improve efficiency of cleaning and sanitation.

With more than 40 years of experience in the industry, the Group became a leading environmental hygiene service provider, and have maintained stable and long term relationships with our customers. In addition, we are equipped with our own cleaning machinery and equipment as well as our vehicle fleet, which comprised more than 200 vehicles, includes specialised vehicles such as grab tippers, water wagons and refuse compaction vehicles which allow us to carry out various large scope of environment hygiene services and will be in a better position to cater for customers’ demand flexibly and efficiently.

Management Discussion and Analysis (Continued)

The Group considers that there is room for expansion of our market shares through organic growth and seizes the market share due to our strong market recognition, track record and extensive business reach to customers. In order to maintain or expand our business, we submit tender and/or quotations for service contracts in government and non-government sectors from time to time for new projects. Furthermore, the board of directors of the Company (the “**Board**” or “**Directors**”) believe that expanding the variety of our services would enhance our competitiveness over our peers thus improving our financial performance.

Subsequent to the six months period ended 30 September 2019, the shares of the Company (the “**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of global offering (the “**Global Offering**”) of 125,000,000 new shares (the “**Listing**”) on 16 October 2019 (the “**Listing Date**”). Since the Listing, there has been no significant change in the business operations of the Group. The proceeds from the Global Offering gives our Group sufficient capital for acquiring additional motor vehicles, machineries and equipment for the performance of our service contracts as required by our customers, so that our Group can undertake additional projects in order to increase our market share. Also, the proceeds have strengthened the Group’s cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”) in relation to the Global Offering. In order to develop our waste management business, one stop service with existing cleaning service and so as to provide better service in the future, we intend to use certain net proceeds from the Global Offering to develop or acquire businesses related to waste management such as running of a fleet of specialised vehicles (i.e. refuse compaction vehicles). With the expanded waste management capacity and capabilities, we could undertake more projects of waste collection and delivery services so as to better serve our customers and enhance our operational flexibility.

Financial Review

Revenue

The Group’s revenue for the six months ended 30 September 2019 and 2018 were approximately HK\$853.4 million and HK\$691.8 million respectively, representing an increase of approximately 23.4%. 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 six months ended 30 September 2019 and 2018, the cost of services amounted to approximately HK\$794.9 million and HK\$639.8 million respectively, representing approximately 93.1% and 92.5% of the Group’s revenue for the corresponding periods respectively. The percentage of cost of services to the Group’s revenue increased by approximately 0.6% due to the increase in labour costs.

Management Discussion and Analysis (Continued)

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately HK\$58.5 million, representing an increase of approximately 12.5% from approximately HK\$52.0 million for the corresponding period in 2018. The increase was mainly due to an increase in revenue.

The gross profit margins of the Group for the six months ended 30 September 2019 and 2018 were approximately 6.9% and 7.5% respectively. The decrease in gross profit margin was mainly due to the keen competition in the market, coupled with an increase in labour costs. Therefore, the increment in cost of services was higher than that in revenue which resulted in a drop of gross profit margin.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 September 2019 and 2018 were approximately HK\$34.6 million and HK\$32.7 million respectively. The increase was mainly due to the increase of directors' bonus of HK\$0.8 million together with slightly increase of number of administrative staff and their average salaries. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

Finance costs

The finance costs represented primarily the interest expenses on the bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$5.1 million and HK\$3.1 million for the six months ended 30 September 2019 and 2018 respectively, representing approximately 0.6% and 0.4% of the Group's total revenue respectively. The increase was mainly due to the increase in bank borrowings during the Period.

Profit for the Period Attributable to Equity Shareholders of The Company

The Group's net profit attributable to equity shareholders of the Company for the six months ended 30 September 2019 and 2018 were approximately HK\$15.4 million and HK\$13.3 million respectively, representing an increase of approximately 16.2%. The increase was mainly due to the factors described above.

After adding listing expenses for the six months ended 30 September 2019, the adjusted profit for the period attributable to the owners of the Company for the six months ended 30 September 2019, amounted to HK\$20.7 million, representing an increase of 16.0% from the six months ended 30 September 2018.

Liquidity and Financial Resources

The Group has funded the liquidity and capital requirements primarily through retained earnings, bank borrowings and cash inflows from financing activities. As at 30 September 2019, the capital structure of the Group consisted of equity of approximately HK\$176.5 million (31 March 2019: HK\$161.0 million), bank borrowings of approximately HK\$285.8 million (31 March 2019: HK\$113.7 million), lease liabilities of approximately HK\$9.0 million (31 March 2019: finance lease payables of approximately HK\$10.2 million).

Management Discussion and Analysis (Continued)

Account receivables

As at 30 September 2019, the Group had total account receivables of approximately HK\$454.6 million (31 March 2019: HK\$268.8 million). The increase was mainly due to the increase in revenue and the delay in settlement of account receivables by government sector customers. The slow settlement from our government sector customers for the Period was in line with their historical settlement pattern which they generally settle their invoices faster near fiscal year end of the Hong Kong Government which falls in March than other period of each year. The Group does not expect any material difficulty in collecting payment from such customers.

Cash position and fund available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by our financing cash flows and bank borrowings. As at 30 September 2019, our cash and cash equivalents were approximately HK\$97.0 million (31 March 2019: HK\$87.3 million). The Group pledged bank deposits of approximately HK\$16.2 million (31 March 2019: HK\$16.4 million) to secure the Group's banking facilities. As at 30 September 2019, the current ratio of the Group was approximately 1.2 times (31 March 2019: 1.4 times).

Bank borrowings

As at 30 September 2019, the Group had total bank borrowings of approximately HK\$285.8 million (31 March 2019: HK\$113.7 million). As at 30 September 2019, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$661.3 million, of which approximately HK\$153.8 million was unutilised.

Gearing ratio

As at 30 September 2019, the Group's gearing ratio was approximately 167.0% (31 March 2019: 76.9%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. Our total debts include interest-bearing bank borrowings and lease liabilities (31 March 2019: finance lease payables).

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 Commitment

As at 30 September 2019, the Group had a total capital commitment of approximately HK\$4.4 million (31 March 2019: HK\$1.3 million), mainly comprising the related contracts of capital expenditure for property, plant and equipment.

Management Discussion and Analysis (Continued)

Charges on the Group's Assets

As at 31 March and 30 September 2019, the Group pledged certain bank deposits, account receivables, buildings, prepaid land lease payments, right-of-use assets and financial assets at fair value through profit or loss ("FVTPL") to secure bank borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent Liabilities

(a) Performance bonds

As at 31 March 2019 and 30 September 2019, 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 HK\$216,438,000 and HK\$221,719,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, buildings, prepaid land lease payments, right-of-use assets and financial assets at FVTPL.

As at 31 March 2019, the performance bonds were guaranteed by two directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak and two shareholders of the Company, Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**") and Canvest Environmental (China) Company Limited ("**Canvest (China)**").

As at 30 September 2019, the performance bonds were guaranteed by two shareholders of the Company, Hong Kong Huafa and Canvest (China). All the guarantees had been released before 16 October 2019.

(b) Litigation

As at 31 March 2019 and 30 September 2019, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$1,276,000 and HK\$1,076,000 respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided 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 Period, the Group did not make any material acquisition, disposal nor significant investment.

Human Resources

As at 30 September 2019, the Group had over 8,000 employees (31 March 2019: over 8,000 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 Period.

Independent Review Report



RSM Hong Kong

29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

T +852 2598 5123
F +852 2598 7230

www.rsmhk.com

羅申美會計師事務所

香港銅鑼灣恩平道二十八號
利園二期二十九字樓

電話 +852 2598 5123
傳真 +852 2598 7230

www.rsmhk.com

To the Board of Directors of Hong Kong Johnson Holdings Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 33 which comprises the condensed consolidated statement of financial position of the Company as at 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong
Certified Public Accountants
Hong Kong
28 November 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Note	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	6	853,395	691,767
Cost of services		(794,889)	(639,782)
Gross profit		58,506	51,985
Other income	7	728	192
Other gains and losses	8	138	237
Administrative expenses		(34,558)	(32,730)
Reversal of impairment loss/(impairment loss) on account receivables		7	(68)
Profit from operations		24,821	19,616
Finance costs	9	(5,076)	(3,108)
Profit before tax		19,745	16,508
Income tax expense	10	(4,303)	(3,215)
Profit for the period attributable to owners of the Company		15,442	13,293
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to owners of the Company		15,442	13,293
Earnings per share			
Basic and diluted (HK cents per share)	13	N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Note	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	14	55,728	36,896
Prepaid land lease payments		–	17,615
Right-of-use assets	15	27,453	–
Financial assets at fair value through profit or loss		18,660	18,570
Total non-current assets		101,841	73,081
Current assets			
Prepaid land lease payments		–	652
Account receivables	16	454,590	268,763
Prepayments, deposits and other receivables		9,203	8,411
Current tax assets		1,051	1,420
Pledged bank deposits		16,239	16,360
Bank and cash balances		97,023	87,297
Total current assets		578,106	382,903
Current liabilities			
Account payables	17	23,168	13,840
Accruals, other payables and provisions		175,646	151,191
Bank borrowings		285,766	113,749
Finance lease payables		–	2,715
Lease liabilities		2,798	–
Total current liabilities		487,378	281,495
Net current assets		90,728	101,408
Total assets less current liabilities		192,569	174,489
Non-current liabilities			
Provisions		3,049	3,097
Finance lease payables		–	7,437
Lease liabilities		6,187	–
Deferred tax liabilities		6,859	2,926
Total non-current liabilities		16,095	13,460
NET ASSETS		176,474	161,029
EQUITY			
Share capital	18	3,750	3,750
Reserves		172,724	157,279
TOTAL EQUITY		176,474	161,029

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Attributed to owners of the Company			
	Share capital HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2018 (audited)	10,200	–	129,022	139,222
Total comprehensive income for the period	–	–	13,293	13,293
Changes in equity for the period	–	–	13,293	13,293
At 30 September 2018 (unaudited)	10,200	–	142,315	152,515
At 31 March 2019 (audited)	3,750	6,450	150,829	161,029
Adjustment on initial application of – HKFRS 16 (note 3(c))	–	–	3	3
Restated balance at 1 April 2019	3,750	6,450	150,832	161,032
Total comprehensive income for the period	–	–	15,442	15,442
Changes in equity for the period	–	–	15,442	15,442
At 30 September 2019 (unaudited)	3,750	6,450	166,274	176,474

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(121,568)	(54,517)
Decrease in pledged bank deposits	121	2,076
Interest received	96	40
Dividend received from financial assets at FVTPL	50	51
Purchases of property, plant and equipment	(34,501)	(7,875)
Proceeds from disposals/written off of property, plant and equipment	73	18
NET CASH USED IN INVESTING ACTIVITIES	(34,161)	(5,690)
Drawdown of bank loans	90,254	40,000
Repayment of bank loans	(56,554)	(49,379)
Increase in factoring loans	138,317	81,658
Principal elements of lease payments (2018: Repayment of finance lease payables)	(1,486)	(1,111)
Interest paid	(5,076)	(3,108)
NET CASH GENERATED FROM FINANCING ACTIVITIES	165,455	68,060
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,726	7,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	87,297	73,929
CASH AND CASH EQUIVALENTS AT END OF PERIOD	97,023	81,782
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	97,023	81,782

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

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 is an investment holding company. The Group is engaged in provision of cleaning, janitorial and other related services.

In the opinion of the directors of the Company, as at 30 September 2019, Zhuhai Huafa Group Company Limited, a company incorporated in the PRC, is the ultimate parent of the Company.

Upon completion of the group reorganisation (the “**Group Reorganisation**”), the Company became the holding company of the subsidiaries now comprising the Group on 18 February 2019.

The shares of the Company were listed on the Main Board of the Stock Exchange by way of Global Offering on 16 October 2019. In connection with the Global Offering completed on the Listing Date, the Company issued a total of 125,000,000 shares at an offer price of HK\$1.0 per share.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

These condensed consolidated financial statements should be read in conjunction with the financial information for the year ended 31 March 2019 included in the accountants’ report of the Group as part of the Prospectus. The accounting policies (including the key sources of estimate uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the accountant’s report as stated above for the year ended 31 March 2019 except as stated below.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 April 2019. A number of other new standards are effective from 1 April 2019 but they do not have a material effect on the Group’s condensed consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(a) Definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases properties and motor vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 September	1 April
	2019	2019
	HK\$'000	HK\$'000
Properties	253	198
Motor vehicles	9,259	11,052
Prepaid land lease payments	17,941	18,267
Total right-of-use assets	27,453	29,517

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(b) As a lessee (Continued)

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include mainly warehouse and parking spaces. The leases typically run for a period from 1 to 2 years.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its warehouse; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring right-of-use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under HKAS 17. For these finance leases, the carrying amount of the right-of-use assets and the lease liabilities at 1 April 2019 were determined at the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 April 2019 is summarised below.

	1 April 2019 HK\$'000
Assets	
Right-of-use assets	29,517
Property, plant and equipment	(11,052)
Prepaid land lease payments	(18,267)
Total assets	198
Liabilities	
Financial lease payables	(10,152)
Lease liabilities	10,347
Total liabilities	195
Equity	
Retained earnings	3

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(c) Impacts of financial statements (Continued)

Impact on transition (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 4.2%.

	1 April 2019 HK\$'000
Operating lease commitments at 31 March 2019 as disclosed in the Prospectus	362
Add: Finance lease liabilities recognised as at 31 March 2019	10,152
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(156)
Less: Discounted using the incremental borrowing rate at 1 April 2019	(11)
Lease liabilities recognised as at 1 April 2019	10,347
Of which are:	
Current lease liabilities	2,854
Non-current lease liabilities	7,493
	10,347

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

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

HKFRS 16 Leases (Continued)

(c) Impacts of financial statements (Continued)

Impact for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK\$18,069,000 of right-of-use assets and HK\$125,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases that were previously classified as operating leases, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 30 September 2019, the Group recognised HK\$396,000 of depreciation charges and HK\$3,000 of finance costs from these leases.

4. FAIR VALUE MEASUREMENTS

Except as disclosed below, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 30 September 2019:

Description	Fair value measurements as at 30 September 2019		
	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Recurring fair value measurements:			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,993	–	1,993
Investment in life insurance	–	16,667	16,667
	1,993	16,667	18,660

Description	Fair value measurements as at 31 March 2019		
	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
Recurring fair value measurements:			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,981	–	1,981
Investment in life insurance	–	16,589	16,589
	1,981	16,589	18,570

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (Continued)

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

	Financial assets at FVTPL 30 September 2019 HK\$'000
Financial assets at FVTPL:	
Investments in life insurance	
At 1 April 2019 (audited)	16,589
Total gains recognised in profit or loss	78
	<hr/>
At 30 September 2019 (unaudited)	16,667

	Financial assets at FVTPL 31 March 2019 HK\$'000 (Audited)
Financial assets at FVTPL:	
Investments in life insurance	
At 1 April 2018	15,237
Additions	988
	<hr/>
	16,225
Total gains recognised in profit or loss	364
	<hr/>
At 31 March 2019	16,589

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 and losses in the condensed consolidated statements of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

4. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2019:

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

Level 2 fair value measurements

Description	Valuation technique	Assets fair value	
		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Investments in unlisted unit trusts	Derived from quoted unit prices	1,993	1,981

Level 3 fair value measurements

The investments in life insurance in level 3 represents life insurance policies for key management. 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 increased/decreased by 6%, the Group's consolidated profit for the period and retained earnings would be increased/decreased by HK\$1,000,000 and HK\$995,000 for the six months ended 30 September 2019 and year ended 31 March 2019 respectively.

There were no changes in the valuation techniques used.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

5. 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 period.

6. REVENUE

The Group's operations and main revenue streams are those described in the Prospectus. The Group's revenue is derived from cleaning, janitorial and other related services income.

Disaggregation of revenue:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contract with customers within the scope of HKFRS 15		
Cleaning, janitorial and other related services income	853,395	691,767
Timing of revenue recognition		
Services transferred over time	853,395	691,767

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

7. OTHER INCOME

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	96	40
Dividend income from financial assets at FVTPL	50	51
Government subsidies (<i>note</i>)	562	101
Sundry income	20	–
	728	192

Note: The amounts represented the ex-gratia payments for the retirement of certain motor vehicles received from the Government of the Hong Kong Special Administrative Region.

8. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gain on disposals/written off of property, plant and equipment, net	48	18
Fair value gain on financial assets at FVTPL	90	219
	138	237

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

9. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance lease charges	–	140
Interest on lease liabilities	214	–
Interest on bank borrowings	4,862	2,968
	5,076	3,108

10. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax		
Provision for the period	370	2,336
	370	2,336
Deferred tax	3,933	879
	4,303	3,215

Pursuant to the laws and regulations of the Cayman Islands and the 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 six months ended 30 September 2019 and 2018.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

11. PROFIT FOR THE PERIOD

The Group's profit for the period is stated at after charging/(crediting) the following:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid land lease payments	–	326
Depreciation of property, plant and equipment	4,953	2,073
Depreciation of right-of-use assets	1,843	–
Gain on disposals/written off of property, plant and equipment, net	(48)	(18)
Listing expenses	5,307	4,587
(Reversal of impairment loss)/impairment loss on account receivables	(7)	68
Short term lease rentals	166	–
Operating lease charges – warehouse and parking space	–	173

12. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$Nil).

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group Reorganisation and the basis of preparation of the results of the Group as set out in the relevant sections of the Prospectus.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment of approximately HK\$34,501,000 (six months ended 30 September 2018: HK\$7,875,000).

Property, plant and equipment decreased by HK\$11,052,000 on 1 April 2019 following the adoption of HKFRS 16 (note 3).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

15. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group entered into a new lease agreement for staff quarter for 2 years. The Group makes fixed payments depending on the usage of the asset during the contract period. On lease commencement, the Group recognised HK\$141,000 of right-of-use asset and lease liability.

16. ACCOUNT RECEIVABLES

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Account receivables	455,023	269,203
Allowance for account receivables	(433)	(440)
	454,590	268,763

The aging analysis of account receivables as at balance sheet date, based on invoice date, is as follow:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Up to 90 days	427,233	244,994
91 to 180 days	22,440	19,812
181 days to 1 year	3,972	2,935
Over 1 year	1,378	1,462
	455,023	269,203

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

17. ACCOUNT PAYABLES

The aging analysis of account payables as at balance sheet date, based on the date of receipt of goods, is as follow:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Up to 30 days	19,315	13,324
31 to 60 days	2,384	487
61 to 90 days	1,429	–
Over 90 days	40	29
	23,168	13,840

18. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each			
– Upon incorporation on 9 July 2018	(a)	100	–
– Increase of authorised capital	(c)	37,499,900	3,750
– Increase upon share subdivision	(e)	337,500,000	–
At 31 March 2019 (audited)		375,000,000	3,750
Increase of authorised capital	(f)	2,625,000,000	26,250
At 30 September 2019 (unaudited)		3,000,000,000	30,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
– Upon incorporation on 9 July 2018	(b)	100	–
– Shares issued upon Group Reorganisation	(d)	37,499,900	3,750
– Increase upon share subdivision	(e)	337,500,000	–
At 31 March 2019 (audited) and 30 September 2019 (unaudited)		375,000,000	3,750

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

18. SHARE CAPITAL (Continued)

Note:

- (a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 July 2018, with an initial authorised share capital of HK\$10 divided into 100 shares of HK\$0.10 each.
- (b) One fully paid share was allotted and issued at the par value to the initial subscriber and subsequently transferred to Hong Kong Huafa Investment Holdings Limited (“**Hong Kong Huafa**”) on 9 July 2018. On the same day, the Company further allotted and issued 99 fully paid shares at par value to the then shareholders who directly held an interest in Johnson Cleaning Services Company Limited (“**Johnson Hong Kong**”), an indirectly wholly owned subsidiary of the Company.
- (c) On 29 November 2018, the authorised share capital of the Company was further increased by HK\$3,749,990 divided into 37,499,900 shares of HK\$0.10 each.
- (d) In the preparation of listing of the shares of the Company on the Main Board of Stock Exchange, the Group has undergone the Group Reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the Prospectus. Pursuant to the Group Reorganisation, the Company became the holding company of Johnson Hong Kong on 29 November 2018 and the Group on 18 February 2019.
- (e) On 28 January 2019, the authorised share capital of the Company was subdivided from 37,500,000 shares of HK\$0.10 each into 375,000,000 shares of HK\$0.01 each. The subdivision of each of the existing issued shares of HK\$0.10 each in the capital of the Company into 10 subdivided shares of HK\$0.01 each.
- (f) On 3 September 2019, the authorised share capital of the Company was further increased from HK\$3,750,000 to HK\$30,000,000 divided into 3,000,000,000 shares of HK\$0.01 each.

19. CONTINGENT LIABILITIES

(a) Performance bonds

As at 31 March 2019 and 30 September 2019, 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 HK\$216,438,000 and HK\$221,719,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, buildings, prepaid land lease payments, right-of-use assets and financial assets at FVTPL.

As at 31 March 2019, the performance bonds were guaranteed by two directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak and two shareholders of the Company, Hong Kong Huafa and Canvest (China).

As at 30 September 2019, the performance bonds were guaranteed by two shareholders of the Company, Hong Kong Huafa and Canvest (China). All the guarantees had been released before 16 October 2019.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

19. CONTINGENT LIABILITIES (Continued)

(b) Litigation

As at 31 March 2019 and 30 September 2019, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$1,276,000 and HK\$1,076,000 respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided 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.

20. CAPITAL COMMITMENTS

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Contracted but not provided for:		
Consideration paid for purchase of property, plant and equipment	4,389	1,342

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Listing expenses paid to related companies (note)	1,656	225

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2019

21. RELATED PARTY TRANSACTIONS (Continued)

- (b) Included in the condensed consolidated statement of financial position are the following balances with related parties:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Prepayment (note)	1,092	540

- (c) The remuneration of directors and other members of key management during the period:

	Six months ended 30 September 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Basic salaries and allowances	5,441	5,191
Discretionary bonuses	3,586	2,763
Retirement benefit scheme contribution	671	658
	9,698	8,612

Note: The ultimate parent has controlling interests in the related companies.

22. EVENT AFTER THE BALANCE SHEET DATE

On 16 October 2019, the Company issued a total of 125,000,000 shares by way of global public offering at an offer price of HK\$1.0 per share for a total cash consideration, before expenses, of HK\$125,000,000, and successfully listed its shares on the Main Board of the Stock Exchange.

23. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 28 November 2019.

Other Information

Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company

As the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, the Company was not required to keep any register under the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and Section 352 of the SFO as at 30 September 2019.

As of the date of this report, the interests and short position of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or 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 position 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long position in Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held ^(Note 1)	Approximate percentage of shareholding in the issued capital of the Company as at the date of this report
Lee, Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) ^(Note 2)	30.75%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. Canvest Environmental Protection Group Company Limited ("Canvest Environmental") is owned as to 54.73% by Best Approach Developments Limited (which is in turn directly held as to 55% by Harvest Vista Company Limited and indirectly held as to 45% by Harvest Vista Company Limited through Century Rise Development Limited). The entire issued share capital of Harvest Vista Company Limited 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 of our Company. Under the SFO, Best Approach Developments Limited, Harvest Vista Company Limited, Century Rise Development Limited, 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).

Other Information (Continued)

Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company (Continued)

Save as disclosed above, as at the date of this report, 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.

Substantial Shareholders' Interests and Short Position in Shares and Underlying Shares of the Company

As the Shares were listed on the Main Board of the Stock Exchange on the Listing Date, the Company was not required to keep any register under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2019.

As at the date of this report, so far as the Directors are aware, other than a Director or chief executive of the Company, the following entities/persons were, directly or indirectly, interested in 5% or more of the Shares or short position in the Shares or underlying Shares, which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to section 336 of the SFO, to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held <small>(Note 1)</small>	Approximate percentage of shareholding in the issued capital of the Company as at the date of this report
Hong Kong Huafa Investment Holdings Limited ("Hong Kong Huafa")	Beneficial interest and interest in controlled corporation	221,250,000 (L) <small>(Note 2)</small>	44.25%
Zhuhai Huafa Group Company Limited ("Zhuhai Huafa")	Interest in controlled corporation	221,250,000 (L) <small>(Note 2)</small>	44.25%
Canvest (China)	Beneficial interest	153,750,000 (L)	30.75%
Yi Feng	Interest in controlled corporation	153,750,000 (L) <small>(Note 3)</small>	30.75%
Canvest Environmental	Interest in controlled corporation	153,750,000 (L) <small>(Note 4)</small>	30.75%
Best Approach Developments Limited	Interest in controlled corporation	153,750,000 (L) <small>(Note 5)</small>	30.75%

Other Information (Continued)

Substantial Shareholders' Interests and Short Position in Shares and Underlying Shares of the Company (Continued)

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held ^(Note 1)	Approximate percentage of shareholding in the issued capital of the Company as at the date of this report
Century Rise Development Limited	Interest in controlled corporation	153,750,000 (L) ^(Note 5)	30.75%
Harvest Vista Company Limited	Interest in controlled corporation	153,750,000 (L) ^(Note 5)	30.75%
Lai, Kin Man	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) ^(Note 5)	30.75%
Lai, Chun Tung	Beneficiary of a trust (other than a discretionary interest)	153,750,000 (L) ^(Note 5)	30.75%
Lee, Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) ^(Note 5)	30.75%
HSBC International Trustee Limited	Trustee	153,750,000 (L) ^(Note 5)	30.75%
South Pacific International Trading Limited ("South Pacific")	Beneficial interest	45,000,000 (L)	9.00%
SIIC Estate Company Limited	Interest in controlled corporation	45,000,000 (L) ^(Note 6)	9.00%
SIIC Investment Company Limited	Interest in controlled corporation	45,000,000 (L) ^(Note 6)	9.00%
SIIC International (BVI) Company Limited	Interest in controlled corporation	45,000,000 (L) ^(Note 6)	9.00%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	Interest in controlled corporation	45,000,000 (L) ^(Note 6)	9.00%

Other Information (Continued)

Substantial Shareholders' Interests and Short Position in Shares and Underlying Shares of the Company (Continued)

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) 210,000,000 Shares are registered in the name of Hong Kong Huafa and 11,250,000 Shares are registered in the name of HJ Capital (International) Holdings Company Limited ("**HJ Capital (International)**"). Since HJ Capital (International) 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 HJ Capital (International) 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 HJ Capital (International). Zhuhai Huafa is a PRC state-owned conglomerate based in Zhuhai, the People's Republic of China.
- (3) 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).
- (4) 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).
- (5) Canvest Environmental is owned as to 54.73% by Best Approach Developments Limited (which is in turn directly held as to 55% by Harvest Vista Company Limited and indirectly held as to 45% by Harvest Vista Company Limited through Century Rise Development Limited). The entire issued share capital of Harvest Vista Company Limited 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 of our Company. Under the SFO, Best Approach Developments Limited, Harvest Vista Company Limited, Century Rise Development Limited, 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).
- (6) 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 17.6% of Canvest Environmental. South Pacific is principally engaged in securities investment.

Save as disclosed above, as at the date of this report, the Company had not been notified by any 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.

Interests of Other Persons

As at the date of this report, other than the interests in shares and underlying shares of the Company and its associated corporations held by the Directors, the chief executives and the substantial shareholders of the Company stated above, there were no other entity/person with interests recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information (Continued)

Directors' Rights to acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the Period 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.

Interim Dividend

The Directors does not recommend the payment of an interim dividend for the Period.

Purchase, Sale or Redemption of the Company's Listed Securities

Throughout the period from the Listing Date up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Corporate Governance Code

As the shares of the Company were not yet listed on the Main Board of the Stock Exchange as at 30 September 2019, the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in the Listing Rules were not applicable to the Company during the Period. Immediately following the listing of the Company's shares on the Main Board of the Stock Exchange on the Listing Date, the Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules which are applicable to the Company as the basis of its corporate governance practice. The Directors recognise the importance of good corporate governance in management and internal procedures, so as to achieve effective accountability.

The Company has complied with the code provisions of the CG Code throughout the period from the Listing Date to the date of this report.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding their securities transactions throughout the period commencing from the Listing Date and up to the date of this report.

Other Information (Continued)

Audit Committee

The Company established the audit committee (the “**Audit Committee**”) on 3 September 2019 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fan, Chiu Tat Martin, Ms. Ru, Tingting and Mr. Leung, Siu Hong. Mr. Fan, Chiu Tat Martin currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

The Audit Committee of the Company had reviewed together with the management the Group’s unaudited condensed consolidated financial statements for the Period, including the accounting principles and practices adopted by the Group, and the internal control procedures of the Group, and discussed the relevant financial reporting matters. The Audit Committee is of the view that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

External Auditor

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Company’s auditor, RSM Hong Kong, certified public accountants in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

Use of Proceeds from the Initial Public Offering

The Company’s ordinary 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. The gross proceeds from the Global Offering amounted to HK\$125 million before deduction of related expenses. Since the Listing and up to 31 October 2019, the net proceeds of approximately HK\$87.9 million from Global Offering remain unutilised and were deposited in licensed banks in Hong Kong. As at the date of this 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.

Other Information (Continued)

Publication of Interim Report

This interim report (in both English and Chinese versions) is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.johnsonholdings.com.

This document is published in English version and Chinese translation version. In case of any inconsistency of meanings of the words or terms between the English version and the Chinese translation version, the English version shall prevail.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, customers, suppliers, bankers, the management and staff for their support and contribution to the Group and its business throughout the Period.

By order of the Board
Hong Kong Johnson Holdings Co., Ltd.
Xu, Jili
Chairman

Hong Kong, 28 November 2019