

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1955)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the “**Directors**”) (the “**Board**”) of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”), together with the comparative figures for the corresponding period of 2019.

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	1,303,498	853,395	52.7%
Gross profit	123,910	58,506	111.8%
Gross profit margins (%)	9.5%	6.9%	
Profit for the period attributable to the equity shareholders of the Company	82,440	15,442	433.9%
Adjusted profit for the period attributable to the equity shareholders of the Company ^{(1)&(2)}	58,169	20,749	180.3%

Notes:

- (1) Adjusted profit is derived by adding listing expenses for the period ended 30 September 2019 and excluding the receipt of wage subsidies from the government’s Employment Support Scheme under the anti-epidemic fund scheme for the period ended 30 September 2020.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of the Group’s financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group’s liquidity.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	<i>Note</i>	Six months ended	
		30 September	2019
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	1,303,498	853,395
Cost of services		(1,179,588)	(794,889)
Gross profit		123,910	58,506
Government subsidies from Employment Support Scheme		24,271	–
Other income	6	5,309	728
Other gains		401	138
(Allowance for)/reversal of allowance for account receivables		(1,808)	7
Administrative expenses		(53,565)	(34,558)
Profit from operations		98,518	24,821
Finance costs	7	(4,763)	(5,076)
Profit before tax		93,755	19,745
Income tax expense	8	(11,315)	(4,303)
Profit for the period	9	82,440	15,442
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to the equity shareholders of the Company		82,440	15,442
Earnings per share			
Basic and diluted (HK cents per share)	11	16.5	4.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	96,459	84,167
Right-of-use assets		39,145	43,179
Financial assets at fair value through profit or loss ("FVTPL")		11,613	19,284
Total non-current assets		147,217	146,630
Current assets			
Account receivables	13	757,764	334,853
Prepayments, deposits and other receivables		17,328	16,578
Current tax assets		–	2,228
Pledged bank deposits		24,415	16,322
Bank and cash balances		223,093	169,010
Total current assets		1,022,600	538,991
Current liabilities			
Account payables	14	25,818	19,216
Accruals, other payables and provisions		294,828	211,757
Bank and other borrowings	15	407,440	106,269
Lease liabilities		7,070	7,013
Current tax liabilities		6,545	–
Total current liabilities		741,701	344,255
Net current assets		280,899	194,736
Total assets less current liabilities		428,116	341,366

	<i>Note</i>	At 30 September 2020 HK\$'000 (Unaudited)	At 31 March 2020 HK\$'000 (Audited)
Non-current liabilities			
Provisions		6,201	4,261
Bank and other borrowings	<i>15</i>	15,405	10,678
Lease liabilities		12,372	16,097
Deferred tax liabilities		11,460	10,092
		<hr/>	<hr/>
Total non-current liabilities		45,438	41,128
		<hr/>	<hr/>
NET ASSETS		382,678	300,238
		<hr/>	<hr/>
EQUITY			
Share capital	<i>16</i>	5,000	5,000
Reserves		377,678	295,238
		<hr/>	<hr/>
TOTAL EQUITY		382,678	300,238
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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.

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 of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2020. The accounting policies (including the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2020 except for the adoption of new and revised standards as set out below.

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 2020. 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 accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 March 2020. A number of new or amended standards are effective from 1 April 2020 but they do not have a material effect on the Group’s condensed consolidated financial statements.

4. 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.

5. REVENUE

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

Disaggregation of revenue:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contract with customers within the scope of HKFRS 15		
Cleaning, janitorial and other services income	<u>1,303,498</u>	<u>853,395</u>
Timing of revenue recognition		
Services transferred over time	<u>1,303,498</u>	<u>853,395</u>

6. OTHER INCOME

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income	97	96
Dividend income from financial assets at FVTPL	45	50
Government subsidies (<i>note</i>)	5,167	562
Sundry income	<u>–</u>	<u>20</u>
	<u>5,309</u>	<u>728</u>

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.

7. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on lease liabilities	489	214
Interest on bank and other borrowings	<u>4,274</u>	<u>4,862</u>
	<u>4,763</u>	<u>5,076</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Current tax – Hong Kong profits tax Provision for the period	<u>9,947</u>	<u>370</u>
	9,947	370
Deferred tax	<u>1,368</u>	<u>3,933</u>
	<u>11,315</u>	<u>4,303</u>

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Island, 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 2020 and 2019.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Depreciation of property, plant and equipment	10,389	4,953
Depreciation of right-of-use assets	4,034	1,843
Gain on disposals/written off of property, plant and equipment, net	–	(48)
Listing expenses	–	5,307
Allowance for/(reversal of allowance for) account receivables	1,808	(7)
Short term lease rentals	<u>135</u>	<u>166</u>

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2020 and 2019.

11. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	<u>82,440</u>	<u>15,442</u>
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>500,000</u>	<u>375,000</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue for the periods ended 30 September 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired property, plant and equipment of approximately HK\$22,681,000 (six months ended 30 September 2019: HK\$34,501,000).

13. ACCOUNT RECEIVABLES

	At	At
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Account receivables	761,579	336,860
Allowance for account receivables	<u>(3,815)</u>	<u>(2,007)</u>
	<u>757,764</u>	<u>334,853</u>

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

	At	At
	30 September	31 March
	2020	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Up to 90 days	719,245	303,299
91 to 180 days	32,645	24,615
181 days to 1 year	4,957	7,439
Over 1 year	<u>4,732</u>	<u>1,507</u>
	<u>761,579</u>	<u>336,860</u>

14. ACCOUNT PAYABLES

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Up to 30 days	22,580	18,693
31 to 60 days	1,688	493
61 to 90 days	1,520	–
Over 90 days	30	30
	<u>25,818</u>	<u>19,216</u>

15. BANK AND OTHER BORROWINGS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Bank loans	79,691	53,417
Factoring loans	329,230	49,907
Other borrowings	13,924	13,623
	<u>422,845</u>	<u>116,947</u>

The bank and other borrowings are repayable as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within one year	396,599	94,963
More than one year, but not exceeding two years	5,056	3,103
More than two years, but not more than five years	10,349	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)	<u>10,841</u>	<u>11,306</u>
	422,845	116,947
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(407,440)</u>	<u>(106,269)</u>
Amount due for settlement after 12 months	<u>15,405</u>	<u>10,678</u>

The interest rates per annum were as follows:

	At 30 September 2020 (Unaudited)	At 31 March 2020 (Audited)
Bank loans	HIBOR +1.18% to HIBOR +2.50%	HIBOR +1.18% to HIBOR +3.00%
Factoring loans	3.14%-3.50%	3.50%-3.93%
Other borrowings	4.23%-4.91%	4.91%

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each		
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid: Ordinary shares of HK\$0.01 each		
At 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>500,000,000</u>	<u>5,000</u>

17. CONTINGENT LIABILITIES

(a) Performance bonds

At 31 March 2020 and 30 September 2020, 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 totaling HK\$285,358,000 (audited) and HK\$426,551,000 (unaudited) respectively. The performance bonds were secured by pledged bank deposits, account receivables, buildings, right-of-use assets and financial assets at FVTPL.

At 31 March 2020 and 30 September 2020, the performance bonds were guaranteed by the Company.

(b) Litigation

As at 31 March 2020 and 30 September 2020, 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\$1,116,000 (audited) and HK\$705,000 (unaudited) 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.

18. CAPITAL COMMITMENTS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
Consideration paid for purchase of property, plant and equipment	<u>33,360</u>	<u>1,103</u>

19. 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Compliance advisor fee to a related company (<i>note</i>)	420	–
Listing expenses paid to related companies (<i>note</i>)	–	1,656
	<u> </u>	<u> </u>

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

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

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Basic salaries and allowances	6,602	5,441
Bonuses	12,496	3,586
Retirement benefit scheme contribution	687	671
	<u>19,785</u>	<u>9,698</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT

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\$1,303.5 million for the six months ended 30 September 2020, representing an increase of 52.7% compared with the same period last year. The Group's overall gross profit margin increased from approximately 6.9% to 9.5%, 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 Period increased by approximately HK\$67.0 million or 433.9% from approximately HK\$15.4 million for the six months ended 30 September 2019 to approximately HK\$82.4 million for the six months ended 30 September 2020. The increase was mainly due to the increase in gross profit by approximately HK\$65.4 million from our services and the receipt of wage subsidies from the government's anti-epidemic fund scheme of HK\$24.3 million, partly offset by increase in administrative expenses and income tax expenses.

BUSINESS REVIEW AND PROSPECTS

The Group provides a wide range of environmental hygiene services to all major districts throughout Hong Kong. We have been recognised as a registered supplier for providing environmental hygiene service for the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong Government**") since 1990 and have become a leading environmental hygiene service provider. In addition to providing environmental hygiene services to various departments of the Hong Kong Government, we have also provided services to numerous private sector customers, such as property management companies and educational institutions.

Since the global outbreak of Coronavirus Disease (COVID-19) in early 2020, all sectors of society have strengthened their preventative measurements in response to the pandemic. Relying on the rich experience of the Group's management team, we provided high-quality environmental hygiene services that meet the needs of customers with our rapid deployment of operating resources and the cooperation of frontline employees, in order to fulfill the increasing demands from various customers. Furthermore, to address the threat of infectious diseases and ensure the safety of our frontline employees, the Group has made further risk assessments on daily operations and 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. Therefore, with the efforts of our excellent team and the long established goodwill, the Group has successfully obtained an increasing number of service contracts during the Period, especially government service contracts, which promoted the business growth of the Group during the Period.

Along with the incorporation of Johnson Environmental Company Limited and i-CLEAN LIMITED, the Group was actively developing logistic business of garbage collection and agent services for sourcing advanced environmental hygiene service-related technology products and equipment. In terms of the logistic business of garbage collection, the Group believes that it is well-equipped to undertake new projects of garbage collection service from various departments of the Hong Kong Government and private sectors with our experienced team, fleet of multiple dedicated specialized vehicles and advanced equipment. In terms of the agent services, the Group is providing advanced environmental hygiene services technology products and equipment to our customers which has positive effect on securing business contracts as well as our services quality.

Apart from the aforesaid newly startup businesses, the Group is exploring the possibility to merge, acquire, establish and strategically cooperate with some vertical businesses in relation to environmental protection and environmental hygiene services. We aim to bring into full play of our edges in the industry and create long-term value for the Group. In addition to deepening and consolidating the local market, we will actively consider exploring the development of China market to seize business opportunities as and when appropriate for the growth of our business.

Looking ahead, the global and domestic economy will be expected to continuously fluctuate caused by the outbreak of COVID-19. The Group will keep vigilance and react to the impact on the Group's operation and financial position actively. Despite the challenging environment and uncertainties in the future, we remain confident and positive about the prospects of the environmental hygiene services industry due to the raising awareness of environmental hygiene and public health.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2020 and 2019 were approximately HK\$1,303.5 million and HK\$853.4 million respectively, representing an increase of approximately HK\$450.1 million or 52.7%. 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 2020 and 2019, the cost of services amounted to approximately HK\$1,179.6 million and HK\$794.9 million respectively, representing approximately 90.5% and 93.1% of the Group's revenue for the corresponding periods respectively. The percentage of cost of services to the Group's revenue decreased by approximately 2.6% as the Group was successful in implementing cost control measures and changing its tendering approach to focus on more profitable contracts.

Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 September 2020 was approximately HK\$123.9 million, representing an increase of approximately HK\$65.4 million or 111.8% from approximately HK\$58.5 million for the corresponding period in 2019. The increase was mainly due to the increase in revenue and gross profit margin.

The gross profit margins of the Group for the six months ended 30 September 2020 and 2019 were approximately 9.5% and 6.9% 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

During the six months ended 30 September 2020, the Group received wage subsidies from the government's anti-epidemic fund scheme of HK\$24.3 million (2019: Nil).

Administrative expenses

The administrative expenses of the Group for the six months ended 30 September 2020 and 2019 were approximately HK\$53.6 million and HK\$34.6 million respectively, representing an increase of HK\$19.0 million or 55.0%. The increase was mainly due to the increase of directors' bonus together with the increase of headcounts, administrative expenses and professional fees after the Company's successful listing on the Main Board of The Stock Exchange of Hong Kong Limited on 16 October 2019, partly offset by the absence of listing expenses during the Period. 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 bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$4.8 million and HK\$5.1 million for the six months ended 30 September 2020 and 2019 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.

Profit for the Period attributable to equity shareholders of the Company

The Group's profit for the Period attributable to equity shareholders of the Company for the six months ended 30 September 2020 and 2019 were approximately HK\$82.4 million and HK\$15.4 million respectively, representing an increase of approximately 433.9%. The increase was mainly due to factors described above.

Adjusted profit for the Period attributable to equity shareholders of the Company

Excluding the receipt of wage subsidies from the government's Employment Support Scheme under the anti-epidemic fund scheme for the period ended 30 September 2020 and adding listing expenses for the period ended 30 September 2019, the adjusted profit attributable to the equity shareholders of the Company for the Period and the six months ended 30 September 2019 amounted to approximately HK\$58.2 million and HK\$20.7 million, respectively, representing an increase of HK\$37.5 million or 180.3%. 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 financing activities. As at 30 September 2020, the capital structure of the Group consisted of equity of approximately HK\$382.7 million (31 March 2020: HK\$300.2 million), bank and other borrowings of approximately HK\$422.8 million (31 March 2020: HK\$116.9 million), lease liabilities of approximately HK\$19.4 million (31 March 2020: HK\$23.1 million).

Account receivables

As at 30 September 2020, the Group had total account receivables of approximately HK\$757.8 million (31 March 2020: HK\$334.9 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 of which they generally settle their invoices faster near fiscal year end of the Hong Kong Government falling in March than other periods of a 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 2020, our cash and cash equivalents were approximately HK\$223.1 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 30 September 2020, the current ratio of the Group was approximately 1.4 times (31 March 2020: 1.6 times).

Accruals, other payables and provisions

As at 30 September 2020, the Group had total accruals, other payables and provisions of approximately HK\$301.0 million (31 March 2020: HK\$216.0 million). The increase was mainly due to the increase in accrued staff costs. This is generally in line with the increase in revenue for the month of September 2020 when compared with that for the month of March 2020.

Bank and other borrowings

As at 30 September 2020, the Group had total bank and other borrowings of approximately HK\$422.8 million (31 March 2020: HK\$116.9 million). The increase was mainly due to the increased demand of fund from our operating activities, especially owing to the slow settlement from our government sector customers for the Period as described above. As at 30 September 2020, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,331.9 million, of which approximately HK\$502.7 million was unutilised.

Gearing ratio

As at 30 September 2020, the Group's gearing ratio was approximately 115.6% (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 located in Hong Kong. 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\$22.7 million for the six months ended 30 September 2020 (2019: HK\$34.5 million) for additions of property, plant and equipment. The increase in capital expenditure was principally due to the acquisition of motor vehicles for rendering environmental hygiene service. It was mainly funded by bank borrowings and cash generated from operating activities.

Capital Commitment

As at 30 September 2020, the Group had a total capital commitment of approximately HK\$33.4 million (31 March 2020: HK\$1.1 million), mainly comprising the related contracts for acquisition of motor vehicles for rendering environmental hygiene service.

Charges on the Group's Assets

As at 30 September 2020, the Group pledged certain property, plant and equipment, bank deposits, account receivables, buildings, right-of-use assets and financial assets at fair value through profit or loss ("FVTPL") with an aggregate amount of approximately HK\$462.8 million (31 March 2020: HK\$147.8 million) to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent Liabilities

(a) Performance bonds

At 31 March 2020 and 30 September 2020, 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\$285,358,000 and HK\$426,551,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, buildings, right-of-use assets and financial assets at FVTPL.

At 31 March 2020 and 30 September 2020, the performance bonds were guaranteed by the Company.

(b) Litigation

As at 31 March 2020 and 30 September 2020, 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\$1,116,000 and HK\$705,000 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.

HUMAN RESOURCES

As at 30 September 2020, the Group had around 13,000 employees (2019: over 8,000 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of individual employee. Discretionary bonuses, based on 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.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the Period (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Throughout the Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company's unaudited interim condensed consolidated financial information for the Period has been reviewed by the audit committee of the Company, which currently comprises three independent non-executive Directors, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong, and by the Company's independent 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company at www.johnsonholdings.com and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk. The interim report for the Period will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, the Group's management team and staff for their dedication.

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

Hong Kong, 27 November 2020

As at the date of this announcement, the executive Directors are Mr. CHEUNG Kam Chiu (Co-chief executive officer) and Mr. SZETO Wing Tak (Co-chief executive officer); the non-executive Directors are Ms. XU Jili (Chairman), Ms. LI Yanmei, Mr. XIE Hui, Mr. YE Ning, Ms. LEE Wing Yee Loretta, Ms. WONG Ling Fong Lisa and Mr. ZHOU Wenjie; and the independent non-executive Directors are Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan, Mr. HONG Kam Le, Mr. LEUNG Siu Hong and Ms. RU Tingting.