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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 2021**

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 2021 (the “**Period**”), together with the comparative figures for the corresponding period of 2020.

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2021	2020	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	1,514,163	1,303,498	16.2%
Gross profit	145,647	123,910	17.5%
Gross profit margins (%)	9.6%	9.5%	
Profit for the period attributable to the equity shareholders of the Company	67,431	82,440	-18.2%
Adjusted profit for the period attributable to equity shareholders of the Company ^{(1) & (2)}	67,431	58,169	15.9%

Notes:

- (1) Adjusted profit is derived by 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 2021

		Six months ended	
		30 September	
	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	1,514,163	1,303,498
Cost of services		<u>(1,368,516)</u>	<u>(1,179,588)</u>
Gross profit		145,647	123,910
Government subsidies from Employment Support Scheme of Hong Kong Special Administrative Region		—	24,271
Other income	6	1,036	5,309
Other gains		586	401
Reversal of allowance/(allowance) for account receivables		1,132	(1,808)
Administrative expenses		<u>(64,331)</u>	<u>(53,565)</u>
Profit from operations		84,070	98,518
Finance costs	7	<u>(2,832)</u>	<u>(4,763)</u>
Profit before tax		81,238	93,755
Income tax expense	8	<u>(13,807)</u>	<u>(11,315)</u>
Profit for the period	9	67,431	82,440
Other comprehensive income for the period, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period attributable to equity shareholders of the Company		<u>67,431</u>	<u>82,440</u>
Earnings per share			
Basic and diluted (HK cents per share)	11	<u>13.5</u>	<u>16.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Note</i>	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	124,481	123,704
Right-of-use assets		45,397	51,004
Financial assets at fair value through profit or loss ("FVTPL")		12,059	11,931
Deferred tax assets		746	522
Total non-current assets		<u>182,683</u>	<u>187,161</u>
Current assets			
Account receivables	13	679,718	360,155
Prepayments, deposits and other receivables		8,638	5,018
Inventories		527	—
Pledged bank deposits		24,460	24,443
Bank and cash balances		471,115	383,738
Total current assets		<u>1,184,458</u>	<u>773,354</u>
Current liabilities			
Account payables	14	23,011	22,857
Accruals, other payables and provisions		349,713	319,098
Dividend payable		37,500	—
Loan from a controlling shareholder		2,000	—
Bank and other borrowings	15	343,375	41,119
Lease liabilities		9,480	10,041
Current tax liabilities		35,300	22,154
Total current liabilities		<u>800,379</u>	<u>415,269</u>
Net current assets		<u>384,079</u>	<u>358,085</u>
Total assets less current liabilities		<u>566,762</u>	<u>545,246</u>

	<i>Note</i>	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Provisions		2,864	4,106
Bank and other borrowings	15	15,821	19,316
Lease liabilities		14,257	18,820
Deferred tax liabilities		15,116	14,231
		<hr/>	<hr/>
Total non-current liabilities		48,058	56,473
		<hr/>	<hr/>
NET ASSETS		518,704	488,773
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	16	5,000	5,000
Reserves		513,704	483,773
		<hr/>	<hr/>
TOTAL EQUITY		518,704	488,773
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 July 2018. The address of its registered office is Harneys Fiduciary (Cayman) Limited, 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 11th Floor, China Aerospace Centre, No. 143 Hoi Bun Road, Kwun Tong, Kowloon, 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 2021. 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 2021 except for the adoption of new and revised standards effective for period beginning on 1 April 2021.

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 2021. 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 2021. A number of new or amended standards are effective from 1 April 2021 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	
	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Revenue from contract with customers within the scope of HKFRS 15		
Cleaning, janitorial and other services income	<u>1,514,163</u>	<u>1,303,498</u>
Timing of revenue recognition		
Services transferred over time	<u>1,514,163</u>	<u>1,303,498</u>

6. OTHER INCOME

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	20	97
Dividend income from financial assets at FVTPL	50	45
Government subsidies (<i>note</i>)	966	5,167
	<u>1,036</u>	<u>5,309</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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	598	489
Interest on bank and other borrowings	2,206	4,274
Interest on loan from a controlling shareholder	28	—
	<u>2,832</u>	<u>4,763</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong profits tax Provision for the period	<u>13,146</u>	<u>9,947</u>
	13,146	9,947
Deferred tax	<u>661</u>	<u>1,368</u>
	<u>13,807</u>	<u>11,315</u>

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands, 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 2021 and 2020.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	17,023	10,389
Depreciation of right-of-use assets	5,607	4,034
Gain on disposals/written off of property, plant and equipment, net	(458)	—
(Reversal of allowance)/allowance for account receivables	(1,132)	1,808
Short term lease rentals	<u>116</u>	<u>135</u>

10. DIVIDEND

The directors do not declare any interim dividend for the six months ended 30 September 2021 (2020: Nil).

The final dividend of HK7.5 cents per ordinary share for the year ended 31 March 2021 amounting to a total of HK\$37,500,000 was approved by the shareholders at the annual general meeting of the Company held on 9 September 2021, and was subsequently paid on 8 October 2021.

11. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	<u>67,431</u>	<u>82,440</u>
	2021	2020
	'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>500,000</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 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment of approximately HK\$17,993,000 (six months ended 30 September 2020: HK\$22,681,000).

13. ACCOUNT RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Account receivables	680,578	363,954
Allowance for account receivables	<u>(860)</u>	<u>(3,799)</u>
	<u>679,718</u>	<u>360,155</u>

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Up to 90 days	671,182	336,448
91 to 180 days	8,130	13,560
181 days to 1 year	477	9,205
Over 1 year	<u>789</u>	<u>4,741</u>
	<u>680,578</u>	<u>363,954</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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Up to 30 days	18,759	15,457
31 to 60 days	2,886	5,478
61 to 90 days	1,329	1,776
Over 90 days	37	146
	<u>23,011</u>	<u>22,857</u>

15. BANK AND OTHER BORROWINGS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Bank loans	30,000	862
Factoring loans	306,474	33,518
Other borrowings	22,722	26,055
	<u>359,196</u>	<u>60,435</u>

The bank and other borrowings are repayable as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Within one year	343,375	41,119
More than one year, but not exceeding two years	7,237	7,072
More than two years, but not more than five years	<u>8,584</u>	<u>12,244</u>
	359,196	60,435
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(343,375)</u>	<u>(41,119)</u>
Amount due for settlement after 12 months	<u>15,821</u>	<u>19,316</u>

The interest rates per annum were as follows:

	At 30 September 2021 (Unaudited)	At 31 March 2021 (Audited)
Bank loans	HIBOR+2.2%	HIBOR+2%
Factoring loans	HIBOR+1.6% to HIBOR+1.9%	HIBOR+1.6% to Prime-2%
Other borrowings	4.23% to 4.92%	4.23% to 4.92%

16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised: Ordinary shares of HK\$0.01 each		
At 31 March 2021 (audited) and 30 September 2021 (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 2021 (audited) and 30 September 2021 (unaudited)	<u>500,000,000</u>	<u>5,000</u>

17. CONTINGENT LIABILITIES

(a) Performance bonds

At 31 March 2021 and 30 September 2021, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to approximately HK\$404,399,000 (audited) and HK\$426,563,000 (unaudited) respectively. The performance bonds were secured by the Group's pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) Litigation

As at 31 March 2021 and 30 September 2021, 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\$4,575,000 (audited) and HK\$4,248,000 (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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Contracted but not provided for: Consideration paid for purchase of property, plant and equipment	<u>4,717</u>	<u>5,674</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 party during the period:

	Six months ended 30 September 2021 <i>HK\$'000</i> (Unaudited)		2020 <i>HK\$'000</i> (Unaudited)
Compliance advisor fee to a related company (note)	<u>331</u>	<u>420</u>	

Note: The related company has the common shareholder — Zhuhai Huafa Group Company Limited.

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Loan from a controlling shareholder (note)	2,000	—
Interest expense payable on loan from a controlling shareholder (note)	<u>28</u>	<u>—</u>

Note: The controlling shareholder is Hong Kong Huafa Investment Holdings Limited.

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

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Basic salaries and allowances	9,070	6,602
Bonuses	15,908	12,496
Retirement benefit scheme contribution	694	687
	<u>25,672</u>	<u>19,785</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group is a leading environmental hygiene service provider with coverage spanning across Hong Kong, Kowloon and the New Territories, providing cleaning services including building and campus cleaning, park and recreation center cleaning, street cleaning, disinfection services, pest management services, garbage logistics services and environmental improvement services.

The Group recorded a revenue of approximately HK\$1,514.2 million for the six months ended 30 September 2021, representing an increase of 16.2% compared with the same period last year. The Group's overall gross profit margin slightly increased from approximately 9.5% to 9.6%, which was mainly due to the successful cost control measures implemented by the Group.

Adjusted profit attributable to equity shareholders of the Company for the Period increased by approximately HK\$9.2 million or 15.9% from approximately HK\$58.2 million for the six months ended 30 September 2020 (excluding the receipt of wage subsidies from the Government's Employment Support Scheme) to approximately HK\$67.4 million for the six months ended 30 September 2021. Such increase was mainly due to the increase in gross profit by approximately HK\$21.7 million from our services, which was partially offset by the increase in administrative expenses and income tax expenses.

BUSINESS REVIEW AND PROSPECTS

With the large-scale implementation of a vaccination programme during the Period, the COVID-19 outbreak is tapering off. Hong Kong's economy is gradually stabilising and is on the road to recovery. The environmental hygiene service industry also continues to benefit from the gradual improvement in local consumption and business confidence. Moreover, environmental health and hygiene awareness increased sharply across society during the pandemic, stimulating long-term demand for integrated environmental hygiene services.

However, the pandemic has fundamentally changed Hong Kong's business environment and model. To ensure that the Group's operations remain stable and can cater to demands from a range of customers for the Group's cleaning services, we must be equipped with stronger responsiveness and a reliable team of frontline employees, in order to meet unexpected threats and challenges. Given the rising awareness for sustainable development across society in recent years, there is a growing trend among large commercial organisations to take into account of the performance of service contractors in the environmental, social and corporate governance aspects during their project tender process. Such a trend creates an edge for the Group amidst fierce competition from industry peers. As a leading environmental hygiene service provider of the industry, the Group is always keen to introduce and implement innovative technology in our services so as to enhance our service quality and work efficiency. At the same time, as a major employer in the industry, we have continued to increase headcount since the outbreak of the pandemic and supplied our frontline employees with adequate personal protective equipment, disinfection tools as well as ordinary cleaning and disinfection products. Additionally, our entire fleet of specialised vehicles were sprayed with "sd Labs" anti-virus protective disinfectant coating to further safeguard the health of our frontline employees. Thus, building on the efforts of our outstanding team and our established reputation, the Group successfully shuffled and optimised our contract portfolio, particularly government contracts, driving the Group's results to greater heights.

For our garbage logistics business, thanks to the dedicated efforts of our specialised operation team and allocation of sufficient resources, service revenue has experienced rapid growth during the Period and we are progressively achieving scale of business. The Group secured garbage logistics contracts for the cargo terminal of the Hong Kong airport, a large iconic shopping mall in Hong Kong, and railway malls, with an aim to secure more garbage logistics contracts from the government and sizeable malls. Meanwhile, the bill on charging for municipal solid waste ("MSW") was passed by the Legislative Council on 26 August 2021 with a preparatory period of 18 months for the Government and members of the public to prepare for the implementation of MSW charging, with regards to which we have been in active negotiations with our customers over future arrangements. Given that the implementation of MSW charging will bring significant changes to the operation model of the industry in the future, small and medium contractors will face greater operation pressure, which is expected to bring industry consolidation opportunities for the Group.

For our distribution agency business, the Group continued to enrich our agency product catalogue as part of our efforts in providing customers with environmental hygiene products and equipment featuring innovative technology, such as fully automated smart cleaning robots and antiviral coating services, that fully matches the needs of our customers. To strengthen the Group's competitiveness in winning the tenders, we actively introduce products with innovative technology as a value-added service to help the Group secure more service contracts and develop a high-end commercial customer base. Meanwhile, the Group is devoting efforts to the research and development of a technology platform, which will be integrated with our proprietary fleet management system to collect and analyse MSW big data, in order to facilitate the future implementation of MSW charging.

Looking ahead, it is expected that the environmental hygiene service market will continue to grow in size in the foreseeable future thanks to the sustained growth in the number of properties and continuous expansion of the public transportation system in Hong Kong. The Group strives to maintain steady general business growth with continuous expansion and innovation. Building on the Group's leading position in Hong Kong's environmental hygiene service market, we will seek to develop our garbage logistics business and distribution agency business in order to expand the Group's business scope. Meanwhile, the Group will pursue merger and acquisition opportunities in Hong Kong in order to accelerate the Group's general business development and further establish our local market presence. Further, we will complement the National 14th Five-Year Plan by actively studying the opportunities in the environmental hygiene services market in the Greater Bay Area, to capture business opportunities for expanding our business as and when appropriate.

Financial Review

Revenue

The Group's revenue for the six months ended 30 September 2021 and 2020 were approximately HK\$1,514.2 million and HK\$1,303.5 million respectively, representing an increase of approximately HK\$210.7 million or 16.2%. 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 2021 and 2020, the cost of services amounted to approximately HK\$1,368.5 million and HK\$1,179.6 million respectively, representing approximately 90.4% and 90.5% of the Group's revenue for the corresponding periods respectively. The percentage of cost of services to the Group's revenue decreased by approximately 0.1% as the Group was successful in implementing cost control measures.

Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 September 2021 was approximately HK\$145.6 million, representing an increase of approximately HK\$21.7 million or 17.5% from approximately HK\$123.9 million for the corresponding period in 2020. The increase was mainly due to the increase in revenue and gross profit margin.

The gross profit margins of the Group for the six months ended 30 September 2021 and 2020 were approximately 9.6% and 9.5% respectively. As mentioned above, the increase in gross profit margin was mainly attributable to better cost control measures implemented by the Group. Therefore, the increment in revenue was higher than that in cost of services which resulted in the increase of gross profit margin.

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

During the six months ended 30 September 2020, the Group received wage subsidies of HK\$24.3 million (2021: Nil) from the Government's Employment Support Scheme under the anti-epidemic fund scheme.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 September 2021 and 2020 were approximately HK\$64.3 million and HK\$53.6 million respectively, representing an increase of HK\$10.7 million or 20.0%. The increase was mainly due to the increase of employee expenses and directors' bonus. 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\$2.8 million and HK\$4.8 million for the six months ended 30 September 2021 and 2020 respectively, representing approximately 0.2% and 0.4% 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 2021 and 2020 were approximately HK\$67.4 million and HK\$82.4 million respectively, representing a decrease of HK\$15.0 million or 18.2%. The decrease was mainly due to the lack of wage subsidies as described below for the six months ended 30 September 2021.

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, the adjusted profit attributable to equity shareholders of the Company for the Period and the six months ended 30 September 2020 amounted to approximately HK\$67.4 million and HK\$58.2 million respectively, representing an increase of HK\$9.2 million or 15.9%. The increase was mainly due to factors described above.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through cash inflows from financing activities. As at 30 September 2021, the capital structure of the Group consisted of equity of approximately HK\$518.7 million (31 March 2021: HK\$488.8 million), bank and other borrowings of approximately HK\$359.2 million (31 March 2021: HK\$60.4 million) and lease liabilities of approximately HK\$23.7 million (31 March 2021: HK\$28.9 million).

Account receivables

As at 30 September 2021, the Group had total account receivables of approximately HK\$679.7 million (31 March 2021: HK\$360.2 million). The increase was mainly due to 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 and continues to improve credit and collections management.

Cash position and fund available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by financing cash flows and bank borrowings. As at 30 September 2021, the Group's cash and cash equivalents were approximately HK\$471.1 million (31 March 2021: HK\$383.7 million). The Group pledged bank deposits of approximately HK\$24.5 million (31 March 2021: HK\$24.4 million) to secure the Group's banking facilities. As at 30 September 2021, the current ratio of the Group was approximately 1.5 times (31 March 2021: 1.9 times).

Accruals, other payables and provisions

As at 30 September 2021, the Group had total accruals, other payables and provisions of approximately HK\$352.6 million (31 March 2021: HK\$323.2 million). The increase was mainly due to the increase in accrued staff costs and provision. This is generally in line with the increase in revenue.

Bank and other borrowings

As at 30 September 2021, the Group had total bank and other borrowings of approximately HK\$359.2 million (31 March 2021: HK\$60.4 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 2021, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,765.1 million, of which approximately HK\$1,002.1 million was unutilised.

Gearing ratio

As at 30 September 2021, the Group's gearing ratio was approximately 74.2% (31 March 2020: 18.3%), 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, loan from a controlling shareholder 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\$18.0 million and HK\$22.7 million respectively for the six months ended 30 September 2021 and 2020 for additions of property, plant and equipment. The capital expenditure was principally incurred due to the acquisition of motor vehicles for rendering environmental hygiene service. It was mainly funded by cash generated from financing activities.

Capital Commitment

As at 30 September 2021, the Group had a total capital commitment of approximately HK\$4.7 million (31 March 2021: HK\$5.7 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 2021, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets and financial assets at fair value through profit or loss (“FVTPL”) to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent Liabilities

(a) *Performance bonds*

At 31 March 2021 and 30 September 2021, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to approximately HK\$404,399,000 and HK\$426,563,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) *Litigation*

As at 31 March 2021 and 30 September 2021, 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\$4,575,000 and HK\$4,248,000 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 2021, the Group had over 13,000 employees (31 March 2021: over 13,000 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.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the Period (2020: 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.

COMPLIANCE WITH THE 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 principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (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, 29 November 2021

As at the date of this announcement, the executive directors of the Company are Mr. CHEUNG Kam Chiu (Co-chief executive officer) and Mr. SZETO Wing Tak (Co-chief executive officer); the non-executive directors of the Company 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 of the Company are Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan, Mr. HONG Kam Le, Mr. LEUNG Siu Hong and Ms. RU Tingting.