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**Creative Enterprise Holdings Limited**  
**創毅控股有限公司**

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

**(Stock Code: 3992)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**FINANCIAL HIGHLIGHTS**

- Total revenue for FY2019 increased by 7.1% to approximately HK\$715.8 million from approximately HK\$668.3 million for FY2018.
- Operating profit for FY2019 decreased by 54.4% to approximately HK\$20.3 million as compared to that for FY2018.
- Profit for FY2019 amounted to approximately HK\$13.4 million (FY2018: approximately HK\$36.5 million). The adjusted net profit (excluding Listing expenses and one-off gain on the disposal of the Group's leasehold land and building) remained stable at approximately HK\$25.7 million for FY2019 as compared to that of HK\$25.0 million for FY2018.
- As at 31 March 2019, cash and cash equivalents was approximately HK\$97.5 million, representing an increase of 188.2% as compared to that as at 31 March 2018.
- The Board does not recommend the payment of final dividends in respect of FY2019.
- Current ratio for FY2019 increased by 89.5% to approximately 3.6 from approximately 1.9 for FY2018.

The board (the “**Board**”) of directors (the “**Directors**”) of Creative Enterprise Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2019 (“**FY2019**”), together with the comparative figures for the year ended 31 March 2018 (“**FY2018**”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For FY2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	<b>715,807</b>	668,275
Other income and gains, net	4	<b>807</b>	15,639
Employee benefits expenses	5	<b>(578,797)</b>	(535,389)
Subcontracting costs		<b>(67,013)</b>	(65,723)
Other operating expenses		<b>(38,175)</b>	(34,221)
Listing expenses		<b>(12,338)</b>	(4,116)
Operating profit	6	<b>20,291</b>	44,465
Finance income		<b>46</b>	14
Finance costs		<b>(1,595)</b>	(1,824)
Finance costs, net	7	<b>(1,549)</b>	(1,810)
Profit before income tax		<b>18,742</b>	42,655
Income tax expense	8	<b>(5,385)</b>	(6,143)
<b>Profit for the year</b>		<b>13,357</b>	36,512
<b>Profit is attributable to:</b>			
Owners of the Company		<b>13,357</b>	36,546
Non-controlling interests		<b>—</b>	(34)
		<b>13,357</b>	36,512

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Other comprehensive (loss)/income:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		—	(2)
Remeasurements of employee benefit obligations		<u>(4,123)</u>	<u>153</u>
Other comprehensive (loss)/income for the year, net of tax		<u><u>(4,123)</u></u>	<u><u>151</u></u>
<b>Total comprehensive income for the year</b>		<u><u>9,234</u></u>	<u><u>36,663</u></u>
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		9,234	36,697
Non-controlling interests		<u>—</u>	<u>(34)</u>
		<u><u>9,234</u></u>	<u><u>36,663</u></u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic and diluted earnings per share (expressed in HK\$ cents)	9	<u><u>3.23</u></u>	<u><u>9.75</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,426</b>	22,478
Investment property		—	8,200
Investment in insurance contracts		<b>24,278</b>	21,397
Trade and other receivables	<i>10</i>	<b>2,373</b>	1,998
Deferred tax assets		<b>87</b>	—
		<u><b>48,164</b></u>	<u>54,073</u>
<b>Current assets</b>			
Trade and other receivables	<i>10</i>	<b>173,988</b>	152,490
Amounts due from related parties		—	78
Tax recoverable		<b>1,621</b>	—
Pledged bank deposits		<b>39,095</b>	9,551
Cash and bank balances		<b>97,689</b>	34,098
		<u><b>312,393</b></u>	<u>196,217</u>
<b>Total assets</b>		<u><b>360,557</b></u>	<u>250,290</u>
<b>EQUITY</b>			
Share capital		<b>5,000</b>	—
Share premium		<b>111,783</b>	—
Reserves		<b>143,971</b>	139,837
<b>Total equity</b>		<u><b>260,754</b></u>	<u>139,837</u>

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		277	443
Long service payment liabilities		13,149	9,157
Deferred tax liabilities		<u>—</u>	<u>121</u>
		<u><b>13,426</b></u>	<u>9,721</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	57,634	55,248
Borrowings		27,778	40,867
Loan from a related party		—	1,800
Tax payable		441	2,575
Amounts due to related parties		<u>524</u>	<u>242</u>
		<u><b>86,377</b></u>	<u>100,732</u>
<b>Total liabilities</b>		<u><b>99,803</b></u>	<u>110,453</u>
<b>Total equity and liabilities</b>		<u><b>360,557</b></u>	<u>250,290</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA are set out below. The consolidated financial statements have been prepared under the historical cost convention, except that investment in insurance contracts are stated at its cash surrender value and investment property is stated at fair value.

Pursuant to the group reorganisation as set out in the section headed “History, Reorganisation and Group Structure” in the Company’s listing prospectus dated 29 November 2018 (the “**Prospectus**”), which was completed on 27 September 2018 (the “**Reorganisation**”), the Company became the holding company of its subsidiaries now comprising the Group. The shares in the Company (the “**Shares**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 December 2018 (the “**Listing Date**”). The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

### 1.1 New and amended standards adopted by the Group

As disclosed in the Prospectus, the Group has early adopted HKFRS 9, “Financial Instruments” and HKFRS 15, “Revenue from Contracts with Customers” for FY2018, that are mandatory for the first time for their annual reporting period commencing 1 April 2018.

The Group has also adopted the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018. The adoption of these amendments does not have any significant impact on the consolidated financial statements of the Group.

Amendments to HKFRS 1	First-time Adoption of HKFRSs
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

## 1.2 New standards and amendments and interpretations to existing standards that are not yet effective

Up to the date of this announcement, the HKICPA has issued the following new standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16	Leases	1 April 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 April 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 April 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 April 2019
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments	1 April 2019
HKFRS 17	Insurance Contracts	1 April 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Annual Improvements to HKFRSs 2015–2017 cycle		1 April 2019

The directors of the Company are in the process of assessing the financial impact on the Group of the adoption of the above new standards and amendments to existing standards. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

HKFRS 16 “Leases”, addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS17 “Leases” and related interpretations.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. HKFRS 16 provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside the statements of financial position. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the consolidated statement of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2020, including the adjustment of prior years.

The Group is a lessee of its offices and warehouses which are currently classified as operating leases. The Group has non-cancellable operating lease commitments of approximately HK\$177,000 as at 31 March 2019. The implementation of HKFRS 16 is not expected to result in any significant impact on the Group's financial position and results of operations. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2019 and that comparatives will not be restated.

## **2 SEGMENT INFORMATION**

The executive Directors have been identified as the chief operating decision-makers (“**CODM**”) of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM assesses the performance based on a measure of operating profit.

The Group is engaged in the provision of property management and related services in Hong Kong. Since the CODM considers all business is included in a single operating segment and the operation of provision of property management and related services is attributable to all of the Group's revenue, and all of the results and assets during FY2019, no operating segment analysis is presented accordingly (FY2018: Same).

### **Geographical information**

The Group's revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong as at 31 March 2019 and 2018. Accordingly, no analysis by geographical information is provided.

### **Information about major customer**

The Group's largest customer contributes revenue amounting to approximately HK\$539,364,000 (FY2018: HK\$513,665,000) for FY2019.

No other single customers contributed 10% or more to the Group's revenue for FY2019 (FY2018: Nil).



### 3 REVENUE

Revenue represents income from (i) property management services; (ii) provision of security services and cleaning services; (iii) provision of staff secondment services and (iv) window inspection services. An analysis of the Group's revenue is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property management services income	<b>568,629</b>	518,992
Income from the provision of security services	<b>140,090</b>	125,563
Income from the provision of cleaning services	<b>4,024</b>	—
Secondment service income	—	21,997
Window inspection services	<b>3,064</b>	1,723
	<b><u>715,807</u></b>	<u>668,275</u>

All of the Group's revenue are recognised over time.

The Group has a right for consideration from customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date for all its service contracts, the entity recognised revenue in the amount to which the entity has a right to invoice or based on the stage of completion. In accordance with HKFRS 15, the transaction price allocated to these unperformed contracts related to service contracts or those contracts with remaining contract period less than one year are exempted for disclosure. As a result, the Group has made no disclosure on the transaction price allocated to these unperformed contracts.

### 4 OTHER INCOME AND GAINS, NET

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss)/gain on disposal of property, plant and equipment	<b>(111)</b>	15,185
Rental income	—	134
Fair value gain on an investment property	<b>800</b>	300
Others	<b>118</b>	20
	<b><u>807</u></b>	<u>15,639</u>

## 5 EMPLOYEE BENEFITS EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Wages, salaries and other allowances (including directors' emoluments)	553,589	514,098
Pension costs — defined contribution plan	22,865	22,822
Accrual for/(reversal of) unutilised annual leave	1,481	(2,244)
Provision for long service payment	862	713
	<u>578,797</u>	<u>535,389</u>

## 6 EXPENSES BY NATURE

Profit before income tax is stated after charging the following items:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration	1,940	72
Cleaning material costs	7,646	6,092
Depreciation	1,816	1,933
Donation	1,202	30
Employee benefits expenses ( <i>Note 5</i> )	578,797	535,389
Insurance fee	7,028	6,618
Legal and professional fees	1,509	717
Listing expenses	12,338	4,116
Allowance for impairment of trade and other receivables	347	950
Subcontracting costs	<u>67,013</u>	<u>65,723</u>

## 7 FINANCE COSTS, NET

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	----- <b>46</b>	-----14
Interests on borrowings	<b>(1,000)</b>	(1,020)
Interests on finance lease liabilities	<b>(43)</b>	(50)
Interests on loans from shareholders	—	(754)
Guarantee fees to shareholders	----- <b>(552)</b>	-----
	<b>(1,595)</b>	<b>(1,824)</b>
	<b>(1,549)</b>	<b>(1,810)</b>

## 8 INCOME TAX EXPENSE

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No.3) Ordinance 2018 (the “**Ordinance**”). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for FY2019 is calculated in accordance with the two-tiered profits tax rate regime (FY2018: a single tax rate of 16.5% was applied). The Ordinance is effective from the year of assessment 2018–2019.

The amount of income tax charged to the consolidated statements of comprehensive income represents:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current income tax	<b>5,593</b>	6,195
Deferred income tax	----- <b>(208)</b>	----- <b>(52)</b>
	<b>5,385</b>	<b>6,143</b>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Profit before income tax	<u>18,742</u>	<u>42,655</u>
Calculated at the Hong Kong Profits Tax rate ( <i>Note (i)</i> )	2,927	7,038
Income not subject to taxation	(230)	(2,175)
Expenses not deductible for taxation purposes	2,631	1,253
Unrecognised tax loss	<u>57</u>	<u>27</u>
	<u><b>5,385</b></u>	<u><b>6,143</b></u>

*Note:*

- (i) For FY2019, the income tax is calculated in accordance with the two-tiered profits tax rate regime under which tax on the first HK\$2 million of profits is calculated at 8.25% and tax on the remaining profits is calculated at 16.5%. For FY2018, a single tax rate of 16.5% was applied.

## 9 EARNINGS PER SHARE — BASIC AND DILUTED

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 27 September 2018 and the Capitalisation Issue which took place on 11 December 2018.

	<b>2019</b>	2018
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	13,357	36,546
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	413,014	375,000
Basic earnings per share ( <i>HK\$ cents</i> )	<u><b>3.23</b></u>	<u><b>9.75</b></u>

### (b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 March 2019 (2018: Nil).

## 10 TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current:		
Retention money receivables	<u>2,373</u>	<u>1,998</u>
Current:		
Trade and unbilled receivables	165,639	138,655
Less: allowance for impairment	<u>(1,367)</u>	<u>(1,020)</u>
Trade and unbilled receivables — net	<u>164,272</u>	<u>137,635</u>
Reimbursement receivables	6,504	8,703
Less: allowance for impairment	<u>(406)</u>	<u>(406)</u>
Reimbursement receivables — net	6,098	8,297
Utilities deposits	413	348
Prepayments	3,125	764
Prepaid Listing expenses	—	1,189
Other receivables	<u>80</u>	<u>4,257</u>
Total prepayments, deposits and other receivables	<u>9,716</u>	<u>14,855</u>
	<u>173,988</u>	<u>152,490</u>
Total trade and other receivables	<u>176,361</u>	<u>154,488</u>

The following is an aging analysis of trade and unbilled receivables, presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unbilled	<u>17,371</u>	<u>17,387</u>
Trade receivables:		
0 to 30 days	57,724	53,418
31 to 90 days	78,203	54,508
91 to 180 days	3,356	4,352
Over 180 days	<u>8,985</u>	<u>8,990</u>
	<u>148,268</u>	<u>121,268</u>
Total trade and unbilled receivables	<u>165,639</u>	<u>138,655</u>

## 11 TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	<u>11,487</u>	<u>12,036</u>
Provision for unutilised annual leave	9,403	7,922
Accrued wages, salaries and pensions	34,829	31,510
Other accrued expenses and deposits received	<u>1,915</u>	<u>3,780</u>
Total other payables	<u><u>46,147</u></u>	<u><u>43,212</u></u>
	<u><u>57,634</u></u>	<u><u>55,248</u></u>

At 31 March 2019 and 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 to 90 days	11,187	11,562
91 to 180 days	<u>300</u>	<u>474</u>
	<u><u>11,487</u></u>	<u><u>12,036</u></u>

## 12 CONTINGENT LIABILITIES

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 March 2019 and 2018.

## 13 DIVIDENDS

Dividends for FY2019 and FY2018 represented dividends declared by the Company's subsidiary to the then equity holders of the subsidiary. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interim dividends declared and paid	<u>5,000</u>	<u>8,000</u>

The Directors do not recommend the payment of final dividends for FY2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview and Prospects

The Group is principally engaged in the provision of property management services and other related services in Hong Kong for both public and private properties, which include estate general management, tenancy management, rent and management fees collection services, security, cleaning, minor repair and maintenance, project management services, legal and administrative support services as well as window inspection services. For FY2019, the Hong Kong Housing Authority remained as the Group's largest customer and the Group provided property management services to 41 properties, security services to 14 properties and cleaning services to 2 properties.

On 11 December 2018, the Shares were successfully listed on the Main Board of the Stock Exchange. Given that the statutory minimum wage was further raised from HK\$34.5 per hour to HK\$37.5 per hour effective on 1 May 2019, the Group foresees that the property management services market in Hong Kong, being labour-intensive and vulnerable to macro-economic conditions, is still full of challenges in the forthcoming year. Nevertheless, the Group will dedicate to implement the business strategies as set out in the Prospectus, including but not limited to further expanding its property management business, increasing its market share by tendering for more property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts from the Hong Kong Housing Authority, and further expanding its services to the Home Ownership Scheme (“HOS”) estates, non-residential properties and private housing estates.

Going forward, in addition to implementing its business strategies as mentioned above, the Group sees the potential in Mainland China and if suitable opportunity arises, it may expand its property management business to Mainland China, by leveraging its industry expertise with an aim to facilitate the long-term growth of the business of the Group.

## Financial Review

### Revenue

For FY2018 and FY2019, all of the Group's revenue was derived from its operation in Hong Kong. The following table sets out the Group's revenue by contract type for FY2018 and FY2019:

	2019		2018		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Property management services	<b>568,629</b>	<b>79.4</b>	518,992	77.7	49,637	9.6
Stand-alone security services	<b>140,090</b>	<b>19.6</b>	125,563	18.8	14,527	11.6
Stand-alone cleaning services	<b>4,024</b>	<b>0.6</b>	—	—	4,024	N/A
Other services <sup>(Note)</sup>	<b>3,064</b>	<b>0.4</b>	23,720	3.5	(20,656)	(87.1)
Total	<b><u>715,807</u></b>	<b><u>100</u></b>	<b><u>668,275</u></b>	<b><u>100</u></b>	<b><u>47,532</u></b>	<b><u>7.1</u></b>

Note: Other services comprise secondment services and window inspection services.

The Group's core revenue improved by approximately 10.6% from approximately HK\$644.6 million for FY2018 to approximately HK\$712.7 million for FY2019. The increase was primarily attributable to (i) the additional service fee income from the nine new contracts acquired; and (ii) the upward adjustment on service fee for some of the Group's existing contracts in accordance with the adjustment mechanism as stipulated in those contracts.

### Property Management Services

The Group continues to increase its portfolio through securing new contracts and renewing existing contracts. For its property management services, revenue increased by approximately 9.6% from approximately HK\$519.0 million for FY2018 to approximately HK\$568.6 million for FY2019. The increase in revenue of approximately HK\$49.6 million was attributable to (i) the Company having successfully tendered for a Hong Kong Housing Authority estate and a new private estate commencing in the second half and the last quarter of FY2018 respectively; (ii) the Company having been further awarded a new property management services contract by the Hong Kong Housing Authority and a new HOS management contract in FY2019; and (iii) the upward price adjustment on the Group's services to some public properties under the adjustment mechanism.

### Stand-alone Security Services

Revenue generated from stand-alone security services contracts increased by approximately 11.6% from approximately HK\$125.6 million for FY2018 to approximately HK\$140.1 million for FY2019. Such increase was primarily due to (i) the two new security services contracts obtained from the Hong Kong Housing Authority and the Urban Renewal Authority; and (ii) the upward price adjustment on the Group's services to some security services contracts.



### **Stand-alone Cleaning Services**

Revenue generated from stand-alone cleaning services contracts amounted to approximately HK\$4.0 million for FY2019. The revenue generated was primarily attributable to the two new cleaning services contracts obtained from the Hong Kong Housing Authority that commenced in the first half of FY2019.

### **Other Services**

Revenue generated from other services comprising secondment services and window inspection services amounted to approximately HK\$23.7 million for FY2018 and dropped to HK\$3.1 million for FY2019. Such decrease was primarily attributable to the expiry of all the secondment services contracts in FY2018. All the revenue from other services for FY2019 is attributable to the provision of window inspection services.

### **Other Income and Gains, Net**

Other income and gains, net decreased by approximately 94.8% from approximately HK\$15.6 million for FY2018 to approximately HK\$0.8 million for FY2019. Such decrease was primarily due to the one-off gain on the disposal of the Group's leasehold land and building of approximately HK\$15.6 million in FY2018.

### **Employee Benefits Expenses**

Employee benefits expenses comprised staff costs of the Group's (i) estate management staff, which mainly includes staff for estate general management, tenancy management, financial management, project management, repairs and maintenance, management and headquarters; (ii) security staff; and (iii) cleaning staff. As at 31 March 2019, the Group had a total of 4,299 employees (2018: 3,906 employees).

Employee benefits expenses continue to represent one of the Group's major costs. Such expenses increased by approximately 8.1% from approximately HK\$535.4 million for FY2018 to approximately HK\$578.8 million for FY2019. Such increase was primarily due to (i) the increase in the number of staff employed in FY2019 to accommodate new contracts awarded and the business growth of the Group; and (ii) the general increase in the average salary of the Group's staff.

### **Subcontracting Costs**

Subcontracting costs increased by approximately 2.0% from approximately HK\$65.7 million for FY2018 to approximately HK\$67.0 million for FY2019. Such increase was primarily due to the increase in security and cleaning subcontracting fee as a result of Yau Tong Estate being subcontracted in FY2019.

## **Other Operating Expenses**

Other operating expenses amounted to approximately HK\$38.2 million for FY2019, representing an increase of approximately 11.6% from HK\$34.2 million for FY2018. Other operating expenses mainly included insurance expense, office supplies expense, guarantee fee for performance bonds, entertainment and estate maintenance expense.

The increase in other operating expenses was mainly attributable to the increase in guarantee fee, insurance expense, claimed charges and professional fee.

## **Operating Profit and Operating Profit Margin**

Operating profit decreased by approximately 54.4% from approximately HK\$44.5 million for FY2018 to approximately HK\$20.3 million for FY2019. The Group has in fact successfully maintained a stable operating profit margin amounted to approximately 4.6% for FY2019, excluding the Listing expenses of HK\$12.3 million in FY2019 and the one-off gain on the disposal of the Group's leasehold land and building of approximately HK\$15.6 million in FY2018.

## **Finance Costs**

Finance costs were approximately HK\$1.6 million for FY2019 which remained stable when compared to that of approximately HK\$1.8 million for FY2018.

## **Income Tax Expense**

Income tax expense was approximately HK\$5.4 million for FY2019 (FY2018: HK\$6.1 million). Profit before income tax amounted to approximately HK\$31.1 million for FY2019 compared to that of approximately HK\$46.8 million (excluding the non-recurring Listing expenses of approximately HK\$12.3 million for FY2019 and HK\$4.1 million for FY2018) for FY2018.

## **Dividends**

The Board does not recommend the payment of final dividends by the Company for FY2019 (FY2018: Nil).

A special dividend of approximately HK\$5 million was declared on 30 June 2018 and was paid by Creative Property Services Consultants Limited (“**Creative Property**”) to its then shareholders in August 2018.

## Liquidity and Financial Resources

	For the year ended/as at 31 March	
	2019	2018
<b>Financial position</b>		
Current assets (HK\$'000)	<b>312,393</b>	196,217
Current liabilities (HK\$'000)	<b>86,377</b>	100,732
Net current assets (HK\$'000)	<b>226,016</b>	95,485
Total assets (HK\$'000)	<b>360,557</b>	250,290
Borrowings (HK\$'000)	<b>28,055</b>	41,310
Cash and bank balances (HK\$'000)	<b>97,689</b>	34,098
Pledged bank deposits (HK\$'000)	<b>39,095</b>	9,551
Total equity (HK\$'000)	<b>260,754</b>	139,837
<b>Key financial ratios</b>		
Return on equity <sup>(Note 1)</sup>	<b>6.7%</b>	29.1%
Return on total assets <sup>(Note 2)</sup>	<b>4.4%</b>	15.4%
Current ratio <sup>(Note 3)</sup>	<b>3.6</b>	1.9
Gearing ratio <sup>(Note 4)</sup>	<b>11.0%</b>	31.0%

### Notes:

1. Return on equity is calculated by dividing net profit for the year by the average of the total equity attributable to owners of the Company as at the beginning and as at the end of the relevant year and multiplied by 100%.
2. Return on total assets is calculated by dividing net profit for the year by the average of the total assets as at the beginning and as at the end of the relevant year and multiplied by 100%.
3. Current ratio is calculated by dividing current assets by current liabilities as at the end of the relevant period.
4. Gearing ratio is calculated by dividing total debt by total equity attributable to owners of the Company as at the end of the relevant period. Total debt is defined as the sum of bank borrowings, finance lease liabilities, loan from a related party and amounts due to related parties.

### Return on Equity

The return on equity decreased from 29.1% in FY2018 to 6.7% in FY2019.

### Return on Total Assets

The return on total assets decreased from 15.4% in FY2018 to 4.4% in FY2019.

## **Current Ratio**

The Group's current ratio increased from 1.9 times as at 31 March 2018 to 3.6 times as at 31 March 2019 mainly due to the proceeds from the Listing received on 11 December 2018.

## **Gearing Ratio**

The Group's gearing ratio as at 31 March 2019 was 11.0% (2018: 31.0%). The total bank borrowings decreased from approximately HK\$40.5 million as at 31 March 2018 to approximately HK\$27.6 million as at 31 March 2019 as the Group settled its bank loans during the reporting period. On the other hand, the Group's total equity increased during FY2019 due to the placing of Shares.

## **Capital Structure**

The Shares were successfully listed on the Main Board of the Stock Exchange on 11 December 2018. There has been no change in the capital structure of the Group since then. The capital of the Company only comprises ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$5,000,000 and the number of issued ordinary Shares was 500,000,000 of HK\$0.01 each.

## **Major Services Contracts Acquired/Renewed**

In FY2019, the Group had successfully acquired a total of nine new contracts. In addition to the new contracts, it was able to extend all of its existing property management services contracts and stand-alone security services contracts with initial terms expired.

The following table sets out the number of properties the Group was contracted to provide services to at the end of the reporting period:

<b>Type of properties</b>	<b>Number of estates/ contracts</b>
(1) Public estates (excluding HOS estates)	37
(2) HOS estates	5
(3) Stand-alone service contracts	15

## **Performance Bond**

As at 31 March 2019, the banks issued 46 bond certificates amounting to approximately HK\$115.0 million (2018: approximately HK\$106.7 million) on behalf of the Group to the clients as required in the service contracts.

## **Capital Expenditure**

The Group purchased property, plant and equipment amounting to approximately HK\$0.9 million in FY2019 (FY2018: approximately HK\$1.1 million).

## **Capital Commitments**

The Group did not have any significant capital commitments as at 31 March 2019 (2018: Nil).

## **Foreign Currency Risk**

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During FY2019, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives arrangement and did not commit to any financial instruments to hedge its foreign exchange exposure during FY2019.

## **Major Investment, Acquisitions and Disposals**

Save for the Reorganisation, the Group did not have any major investment, acquisitions, and disposals during FY2019.

## **Charges Over Assets of the Group**

As at 31 March 2019, the Group had pledged its leasehold land and buildings of approximately HK\$15.9 million (2018: approximately HK\$16.2 million), bank deposits of approximately HK\$39.1 million (2018: approximately HK\$9.6 million) and investment in insurance contracts of approximately HK\$12.3 million (2018: approximately HK\$12.0 million) to banks for securing its performance bonds of approximately HK\$115.0 million (2018: approximately HK\$106.7 million) and bank borrowings of approximately HK\$27.4 million (2018: approximately HK\$40.3 million) under certain banking facilities.

## Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 19 November 2018, being the latest practicable date as defined in the Prospectus, to 31 March 2019 (the “**Review Period**”) with the Group’s actual business progress for the Review Period is set out as follows:

<b>Business objectives stated in the Prospectus</b>	<b>Actual business progress</b>
Tendering for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts	As at the date of this announcement, the Company was awarded a new property management services contract, a new stand-alone security services contracts and two stand-alone cleaning services contracts by the Hong Kong Housing Authority; as well as a new stand-alone security services contract and a new stand-alone cleaning services contract by the Urban Renewal Services Department.
Expanding our service for HOS estates, non-residential properties and private housing estates	As at the date of this announcement, the Company successfully tendered for the property management contracts for two HOS courts and a private property.
Upgrading our computer system and accounting system	As at the date of this announcement, the Company had replaced/purchased new computer sets, hard disks, routers and relevant accounting software to maximize efficiency.
Growing our business through acquisition of property management company in Hong Kong	As at the date of this announcement, the Company had not acquired any property management company in Hong Kong.

## Use of Proceeds From the Listing

The actual net proceeds from the issue of new Shares under the share offer as set out in the Prospectus (after deducting the underwriting fees and other Listing expenses borne by the Company) were approximately HK\$99.4 million which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The aggregate net proceeds from the Listing (involving the issue of a total of 125,000,000 ordinary Shares at the offer price of HK\$1.0 per Share), after deducting related underwriting fees and other expenses in connection with the Listing, were approximately HK\$99.4 million.

Up to 31 March 2019, a portion of the net proceeds from the Listing had been utilised with reference to the section headed “Future Plans and Use of Proceeds” in the Prospectus as follows:

<b>Use of net proceeds</b>	<b>Net proceeds from the Listing HK\$ million</b>	<b>Actual utilisation up to 31 March 2019 HK\$ million</b>	<b>Unutilised amounts as at 31 March 2019 HK\$ million</b>
Working capital and cash deposit to secure the performance bonds for undertaking additional contracts	71.5	9.9	61.6
Upgrade of computer system and accounting system	4.7	0.1	4.6
Acquisition of property management company in Hong Kong	18.9	—	18.9
General working capital	<u>4.3</u>	<u>1.8</u>	<u>2.5</u>
Total	<u><u>99.4</u></u>	<u><u>11.8</u></u>	<u><u>87.6</u></u>

The unutilised amount of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus. As at 31 March 2019, the unutilised net proceeds were deposited in short-term demand deposits with licensed banks in Hong Kong. The Directors expect to improve the overall performance of the Group through the upcoming utilisation of the net proceeds from the Listing.

### **Contingent Liability**

Save as disclosed in Note 12 to this announcement, as at 31 March 2019, the Group did not have other material contingent liabilities.

### **Significant Litigation**

On 23 November 2017, Creative Property as plaintiff commenced a legal action in the High Court of Hong Kong against the incorporated owners of a private housing court in Hong Kong (the “**Defendant**”) for a sum of approximately HK\$6 million in relation to the outstanding fees for management services provided by the Company during the period from 1 May 2016 to 30 November 2017. In the action, the Defendant counterclaimed for an order to surrender and hand over all “the Defendants’ Documents and Properties”, an account for “all property and any sums” received by Creative Property on its behalf and damages. The parties are in the course of arranging mediation.

After consulting our legal counsel, our Directors are of the view that Creative Property has a strong case in claiming for the outstanding service fees in a total sum of approximately HK\$6 million against the Defendant. Further, after consulting our legal counsel, based on the provisions in the professional liability insurance taken out by Creative Property and the insurer's confirmation letter, our Directors are of the view that the counterclaim will be covered by the said professional liability insurance.

Save as disclosed above, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### **Share Option Scheme**

A share option scheme was conditionally adopted on 15 November 2018 (the “**Share Option Scheme**”), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to reward the contributions that the eligible participants (as defined in the Prospectus) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 50,000,000 shares) unless approved by the shareholders of the Company (the “**Shareholders**”). Subject to early termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. No share option had been granted under the Share Option Scheme up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed in establishing and maintaining good corporate governance practices and procedures with a view to enhance investors' confidence and the Company's accountability and transparency. Details of the corporate governance practices will be disclosed in the Company's annual report for FY2019 (the “**2019 Annual Report**”). The Board is of the view that, since the Listing Date, the Company has complied with all the code provisions on the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

### **Compliance with the Model Code for Directors' Securities Transactions**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code from the Listing Date up to 31 March 2019.

The Company had also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Group.



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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2019.

## **Change of Compliance Adviser**

The Company and First Shanghai Capital Limited (“**First Shanghai**”) have mutually agreed to terminate the compliance adviser agreement dated 26 June 2018 with effect from 1 July 2019 due to the change of First Shanghai's handling officer. Zhongtai International Capital Limited (“**Zhongtai International**”) has been appointed as the compliance adviser to the Company as required pursuant to Rule 3A.27 of the Listing Rules with effect from 1 July 2019 until the date, pursuant to Rule 3A.19 of the Listing Rules, on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing (being the financial year ending 31 March 2020), or until the compliance adviser agreement entered into between the Company and Zhongtai International is terminated in accordance with its terms, whichever is earlier.

## **Interest of Compliance Adviser**

Neither First Shanghai, the compliance adviser of the Group for the period from the Listing Date to 31 March 2019, nor its directors, employees or associates had any interests in relation to the Company as at 31 March 2019.

## **Audit Committee**

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The annual results of the Company for FY2019 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen, with Mr. Wong Chung Kin Quentin as the chairman of the Audit Committee.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 15 August 2019, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

## **Change of Address of Hong Kong Branch Share Registrar and Transfer Office**

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the “**Branch Share Registrar**”), will change its address from Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong to

**Level 54, Hopewell Centre  
183 Queen’s Road East  
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

## **Closure of Register of Members**

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 15 August 2019, the register of members of the Company will be closed from 12 August 2019 to 15 August 2019 (both days inclusive), during which no transfer of Shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates are lodged with the Company’s Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 9 August 2019.

## **Publication of Results and the 2019 Annual Report**

The 2019 Annual Report will be despatched to the Shareholders. Should the Shareholders have any difficulties in accessing the corporate communications electronically, please request the printed report, free of charge, at any time by writing to the Company or Tricor Investor Services Limited, the Company’s Hong Kong share registrar.

## **Scope of Work of the Auditors**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for FY2019 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance had been expressed by PricewaterhouseCoopers on this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

Creative Property was awarded two private property management contracts on 1 April 2019. Saved as disclosed in this announcement and in the 2019 Annual Report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this announcement.

On behalf of the Board  
**Creative Enterprise Holdings Limited**  
**Poon Kin Leung**  
*Chairman*

Hong Kong, 26 June 2019

*As at the date of this announcement, the executive Directors are Mr. Poon Kin Leung, Mr. Lee Siu Wah Albert, Mr. Lam Siu Hung Christopher, Mr. Wong King Cheung, Mr. Lai Wai Man and Mr. Wu Ka Chai. The independent non-executive Directors are Mr. Wong Chung Kin Quentin, Mr. Tang Yiu Ming and Mr. Wong Si Yuen.*