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WINSON HOLDINGS HONG KONG LIMITED

永順控股香港有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6812)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 March		Percentage Change
	2021 (HK\$ million)	2020 (HK\$ million)	
Revenue	530.0	569.6	-7.0%
Gross Profit	74.8	83.7	-10.6%
Profit for the year	73.8	20.7	256.5%
Total Assets	276.5	207.7	33.1%
Total Equity	208.7	134.9	54.7%
Key Financial Ratios			
Gross profit margin	14.1%	14.7%	
Net profit margin	13.9%	3.6%	
Return on equity	35.4%	15.3%	
Return on total assets	26.7%	10.0%	
Dividend payout ratio	48.0%	N/A	
Interest coverage ratio	376.9 times	71.9 times	
Current ratio	4.6 times	2.9 times	
Quick ratio	4.6 times	2.9 times	
Gearing ratio	0.03 times	0.06 times	

ANNUAL RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of Winson Holdings Hong Kong Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 March 2021 (“**FY2021**”), together with the comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	5	529,987	569,559
Cost of services		<u>(455,163)</u>	<u>(485,854)</u>
Gross profit		74,824	83,705
Other income and gains	5	67,048	571
General operating expenses		(64,988)	(57,758)
Finance costs		<u>(204)</u>	<u>(369)</u>
Profit before income tax	6	76,680	26,149
Income tax expense	7	<u>(2,871)</u>	<u>(5,447)</u>
Profit for the year and total comprehensive income for the year attributable to owners of the Company		<u>73,809</u>	<u>20,702</u>
Earnings per share	9		
— Basic		<u>HK12.3 cents</u>	<u>HK3.45 cents</u>
— Diluted		<u>HK12.3 cents</u>	<u>HK3.45 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		37,798	34,646
Prepayments	11	<u>651</u>	<u>—</u>
		<u>38,449</u>	<u>34,646</u>
Current assets			
Inventories		182	279
Trade receivables	10	106,115	124,503
Prepayments, deposits and other receivables	11	7,699	7,719
Tax recoverable		2,346	36
Cash and cash equivalents		<u>121,673</u>	<u>40,469</u>
		<u>238,015</u>	<u>173,006</u>
Current liabilities			
Trade payables	12	14,430	14,737
Accruals, deposits and other payables	12	31,684	33,995
Lease liabilities		455	1,321
Bank borrowings		5,544	7,431
Tax payable		<u>4</u>	<u>1,512</u>
		<u>52,117</u>	<u>58,996</u>
Net current assets		<u>185,898</u>	<u>114,010</u>
Total assets less current liabilities		<u>224,347</u>	<u>148,656</u>
Non-current liabilities			
Lease liabilities		—	455
Provision for long service payments		13,687	12,234
Deferred tax liabilities		<u>1,978</u>	<u>1,094</u>
		<u>15,665</u>	<u>13,783</u>
Net assets		<u>208,682</u>	<u>134,873</u>
EQUITY			
Share capital		6,000	6,000
Reserves		<u>202,682</u>	<u>128,873</u>
Total equity		<u>208,682</u>	<u>134,873</u>

NOTES

1. CORPORATE INFORMATION

Winson Holdings Hong Kong Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 March 2017. On 11 June 2020, the listing of the shares of the Company have been transferred from GEM to the Main Board of the Stock Exchange.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business is Suite 2702, 27th Floor, Tower 2, Nina Tower, No. 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company, collectively referred to as the “**Group**”) are provision of environmental hygiene and related services and airline catering support services in Hong Kong.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

2.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new standards and amendments issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 April 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The adoption of the new/revised HKFRSs has no material impact on the Group’s consolidated financial statements.

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 16	Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual improvements to HKFRS 2018–2020 ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁶
Amendments to HKAS 1	Disclosure of Accounting Policies ⁶
Amendments to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁶
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁷

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 January 2023

⁷ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

4. SEGMENT INFORMATION

The information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resources allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. The Group is currently organised into two operating divisions as follows:

- (1) Environmental hygiene and related services
- (2) Airline catering support services

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than tax recoverable and cash and cash equivalents.
- all liabilities are allocated to operating segments other than bank borrowings and tax payable.
- all profit or loss are allocated to operating segments other than directors’ emoluments, finance costs, income tax expense and certain other income and expenses incurred by the head office.

For the year ended 31 March 2021

	Environmental hygiene and related services HK\$'000	Airline catering support services HK\$'000	Total HK\$'000
Revenue			
Sales to external customers			
— recognised over time	506,010	—	506,010
— recognised at point in time	<u>23,977</u>	<u>—</u>	<u>23,977</u>
	<u>529,987</u>	<u>—</u>	<u>529,987</u>
Segment results	<u>91,448</u>	<u>—</u>	<u>91,448</u>
Directors' emoluments			(11,397)
Finance costs			(145)
Unallocated corporate income and expenses, net			<u>(3,226)</u>
Profit before income tax			76,680
Income tax expense			<u>(2,871)</u>
Profit for the year			<u>73,809</u>
Segment assets	151,928	517	152,445
Tax recoverable			2,346
Cash and cash equivalents			<u>121,673</u>
Total assets			<u>276,464</u>
Segment liabilities	62,234	—	62,234
Bank borrowings			5,544
Tax payable			<u>4</u>
Total liabilities			<u>67,782</u>
Other segment information			
Depreciation	(5,538)	—	(5,538)
Additions to non-current assets	<u>8,770</u>	<u>—</u>	<u>8,770</u>

For the year ended 31 March 2020

	Environmental hygiene and related services <i>HK\$'000</i>	Airline catering support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Sales to external customers			
— recognised over time	520,371	33,093	553,464
— recognised at point in time	<u>16,095</u>	<u>—</u>	<u>16,095</u>
	<u><u>536,466</u></u>	<u><u>33,093</u></u>	<u><u>569,559</u></u>
Segment results	<u><u>38,787</u></u>	<u><u>2,313</u></u>	41,100
Directors' emoluments			(11,776)
Finance costs			(316)
Unallocated corporate income and expenses, net			<u>(2,859)</u>
Profit before income tax			26,149
Income tax expense			<u>(5,447)</u>
Profit for the year			<u><u>20,702</u></u>
Segment assets	160,759	6,388	167,147
Tax recoverable			36
Cash and cash equivalents			<u>40,469</u>
Total assets			<u><u>207,652</u></u>
Segment liabilities	61,177	2,659	63,836
Bank borrowings			7,431
Tax payable			<u>1,512</u>
Total liabilities			<u><u>72,779</u></u>
Other segment information			
Depreciation	(4,839)	—	(4,839)
Additions to non-current assets	<u><u>3,489</u></u>	<u><u>—</u></u>	<u><u>3,489</u></u>

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, Hong Kong is regarded as the Group's place of domicile. All the Group's revenue and non-current assets are attributable to Hong Kong for the years ended 31 March 2021 and 2020, being the single geographical region.

The geographical location of customers is based on the location at which the services were provided. All the Group's revenue from external customers is sourced from Hong Kong.

Revenue from customers which individually contributed 10% or more of the Group's revenue, are set out as follows:

	2021	2020
	HK\$'000	HK\$'000
Customer A (<i>note 1</i>)	218,852	189,825
Customer B (<i>note 2</i>)	<u>—</u>	<u>58,634</u>

Notes:

- (1) It is a customer for environmental hygiene and related services for the years ended 31 March 2021 and 2020.
- (2) For the year ended 31 March 2021, revenue from this customer was less than 10% of the Group's revenue.

For the year ended 31 March 2020, revenue of HK\$33,095,000 was generated from environmental hygiene and related services while revenue of HK\$25,539,000 was generated from airline catering support services for this customer.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the income from environmental hygiene and related services and airline catering support services rendered.

- (a) Set out below is the disaggregation of the Group's revenue from major services. The Group's revenue recognised within the scope of HKFRS 15 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue:		
Environmental hygiene and related services	529,987	536,466
Airline catering support services	<u>—</u>	<u>33,093</u>
	<u>529,987</u>	<u>569,559</u>

- (b) The Group's other income and gains recognised during the year are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains:		
Bank interest income	—	8
Sales of scrap materials	242	487
Reversal of impairment loss of trade receivables	133	—
Government subsidies (<i>note</i>)	66,591	—
Rental income	<u>82</u>	<u>76</u>
	<u>67,048</u>	<u>571</u>

Note: The amounts represented the subsidies granted by the Government of the Hong Kong Special Administrative Region of the People's Republic of China under the Anti-epidemic Fund, which include (i) Employment Support Scheme of HK\$65,501,000 (2020: nil) in which the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time; and (ii) Subsidy for Transport Trades of HK\$340,000 (2020: nil).

The remaining of HK\$750,000 (2020: nil) represented subsidies to the Group to phasing out certain diesel motor vehicles.

The Group does not have other unfulfilled obligations relating to these grants.

6. PROFIT BEFORE INCOME TAX

Profit before income tax for the year has been arrived at after charging/(crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
— audit services	600	560
— non-audit services	<u>170</u>	<u>370</u>
	<u>770</u>	<u>930</u>
Cost of inventories recognised as expenses	14,920	15,020
Depreciation	5,538	4,839
Loss on disposal of property, plant and equipment	8	5
(Reversal of)/provision for impairment loss on trade receivables	(133)	243
Short-term lease expenses	335	863
Employee costs (including directors' remuneration):		
— Wages, salaries and allowances	309,024	313,416
— Retirement scheme contributions	<u>12,292</u>	<u>13,147</u>
	<u>321,316</u>	<u>326,563</u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided in accordance with two-tiered profits tax rate regime. The first HK\$2,000,000 of assessable profits of a qualifying entity of the Group are taxed at 8.25% and the assessable profits above HK\$2,000,000 are taxed at 16.5% for both years.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax	1,943	5,524
Current tax — under-provision in prior years	44	87
Deferred taxation	<u>884</u>	<u>(164)</u>
	<u>2,871</u>	<u>5,447</u>

8. DIVIDENDS

(a) Dividends attributable to the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend proposed of HK5.9 cents (2020: nil) per ordinary share	<u>35,400</u>	<u>—</u>

The final dividend proposed after the reporting date for the year ended 31 March 2021 is subject to shareholders' approval in the forthcoming annual general meeting and has not been recognised as a liability as at 31 March 2021.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend paid in respect of prior year		
— Nil (2020: HK1.67 cents) per ordinary share	<u>—</u>	<u>10,020</u>

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective years.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>73,809</u>	<u>20,702</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,000	600,000
Effect of dilutive potential ordinary shares:		
— Share options	<u>6</u>	<u>6</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>600,006</u>	<u>600,006</u>

The calculation of basic earnings per share for the year ended 31 March 2021 is based on the profit for the year attributable to owners of the Company of HK\$73,809,000 (2020: HK\$20,702,000) and on the weighted average number of ordinary shares of 600,000,000 (2020: 600,000,000) in issue during the year ended 31 March 2021.

Diluted earnings per share for the years ended 31 March 2021 and 2020 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

10. TRADE RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net of loss allowance	<u>106,115</u>	<u>124,503</u>

Trade receivables are denominated in Hong Kong Dollars for both years.

The credit terms of the trade receivables are ranged from 0 to 60 days (2020: 0 to 60 days) from the date of billing.

The ageing analysis of trade receivables based on the invoice date and net of loss allowance as of the end of the reporting period is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one month	44,185	46,809
One to three months	46,936	59,910
More than three months	<u>14,994</u>	<u>17,784</u>
	<u>106,115</u>	<u>124,503</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current:		
Prepayments for purchase of property, plant and equipment	<u>651</u>	<u>—</u>
Current:		
Prepayments for consumables	140	124
Other prepayments	5,516	4,924
Deposits	710	746
Other receivables	<u>1,333</u>	<u>1,925</u>
	<u>7,699</u>	<u>7,719</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	<u>14,430</u>	<u>14,737</u>
Accrued staff costs	25,979	25,694
Other accrued expenses (<i>note (b)</i>)	4,514	7,195
Other payables	623	467
Deposits	<u>568</u>	<u>639</u>
	<u>31,684</u>	<u>33,995</u>

Notes:

- (a) Trade payables are denominated in Hong Kong Dollars for both years.

The ageing analysis of trade payables based on the invoice date as of the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one month	9,099	10,494
One to three months	4,749	3,614
More than three months	<u>582</u>	<u>629</u>
	<u>14,430</u>	<u>14,737</u>

- (b) As at 31 March 2021 and 2020, other accrued expenses mainly represented the accrued untaken paid leave.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business experienced a downward adjustment in the FY2021, mainly as a result of the COVID-19 outbreak which led to the suspension of the Group's airline catering support services business since March 2020 and with no revenue recorded for FY2021, which previously contributed revenue of approximately HK\$33.1 million for the year ended 31 March 2020 ("FY2020").

Environmental Hygiene and Related Services

Performance of the environmental hygiene and related services segment was also adversely affected, but to a less extent, by the pandemic due to the combined effects of (i) the Group's airline catering operators customers have scaled down their operations substantially and required less environmental hygiene and related services; (ii) some customers have shortened opening hours or adopted remote working arrangement and therefore have reduced cleaning needs; and (iii) higher demand for services to enhance hygiene standard for disease prevention and control, such as cleaning and sanitising at more frequent intervals, mist disinfection of business premises and enclosed public area. Overall, the environmental hygiene and related services segment recorded revenue of approximately HK\$530.0 million for FY2021, which is a slight decline of approximately HK\$6.5 million or 1.2% from the FY2020.

Public hygiene awareness has consistently been improving in modern society and the COVID-19 outbreak has triggered further consciousness on the importance of both environmental and personal hygiene; and the Group is well positioned to cater for such rising demands. During FY2021, the Group secured 15 new and 85 renewal of contracts with estimated contract value of HK\$27.6 million and HK\$773.6 million respectively. The tender success rate for FY2021 remained steady at 20.4% while the contract renewal rate improved to 71.4%; such encourage results led to the Group's value of contracts on hand attaining a new high with total estimated value of approximately HK\$1,408.7 million at 31 March 2021, out of which approximately HK\$655.5 million being outstanding contract value.

The Group has always considered our staff as our most valuable assets and at the time of pandemic, the Group strived to provide our staff with sufficient and effective personal protective equipment to safeguard themselves from exposure to disease. The Group also paid one-off anti-epidemic allowance to staff members as recognition for their commitment to uphold their duties amidst looming health threats. Additional costs were also incurred on cleaning consumables and equipment as a measure to heighten hygiene standard. All of the above rendered negative impact on the profitability of the Group's operation and as a result, the gross profit margin of the environmental hygiene and related services segment declined to 14.1% for FY2021, as compared to 15.0% for the FY2020.

OUTLOOK

The COVID-19 outbreak since early 2020 has ravaged consumer sentiment and business activities. Albeit the nature of the environmental hygiene and related services may render it less susceptible to the effect of disease outbreak, the Group is paying close attention to development of the COVID-19 situation and market condition in general for possible impacts on the Group's operation.

Meanwhile, the Group will focus on developing its environmental hygiene and related services business and stay vigilant of opportunities for gaining of market share and potential horizontal development. The Group is in the progress of registering itself as a supplier to a public health service operator, which requires specialised skills, quality and advanced equipment, stringent product specifications and meticulous service delivery in order to qualify; such would provide a new source of revenue and also allow the Group tap into a new category of potential customers operating in the healthcare sector. The Group also leverages on its customer network to cross-sell our services (such as pest control and waste management services) and will focus on offering specialised and premium environmental hygiene and related services (such as vapourised cleaning and disinfection services, eco-friendly cleaning products and services, servicing hard-to-reach positions and special-care material surfaces, etc.) to capture organic growth. Simultaneously, the Group is actively studying horizontal business development plan, including the possibility to extend its business presence to the Greater Bay Area and to launch new service offerings which synergies with its current environmental hygiene and related services business, such as pest control, property security and general property management services.

Overall, despite the present less than favourable market condition, the general business outlook of the Group remains positive in the medium to long term.

FINANCIAL REVIEW

Revenue

For the FY2021, total revenue was approximately HK\$530.0 million, representing a decrease of approximately 7.0% (FY2020: approximately HK\$569.6 million). The decrease in revenue was mainly due to decrease or temporary suspension of business activities due to COVID-19 in food industry which led to reduce in food waste removal services, reduce in manpower deployment for shopping arcades due to substantial drop of shoppers and suspension of airline catering support services business due to suspension of air flight in travel industry.

The following is an analysis of Group's revenue by segment:

	2021		2020	
	HK\$'000	%	HK\$'000	%
Environmental hygiene and related services	529,987	100.0	536,466	94.2
Airline catering support services	<u>—</u>	<u>—</u>	<u>33,093</u>	<u>5.8</u>
Total	<u>529,987</u>	<u>100.0</u>	<u>569,559</u>	<u>100.0</u>

For the FY2021, revenue from environmental hygiene and related services amounted to approximately HK\$530.0 million (FY2020: approximately HK\$536.5 million). The global outbreak of COVID-19 has suspended the demand for airline catering support services, no revenue was recorded from this segment for the year (FY2020: approximately HK\$33.1 million).

Cost of Services

For the FY2021 and FY2020, the cost of services of the Group amounted to approximately HK\$455.2 million and HK\$485.9 million respectively, representing approximately 85.9% and 85.3% of the Group's revenue for the corresponding years. The cost of services of the Group comprised direct wages, consumables and sub-contracting fees.

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately HK\$83.7 million for the FY2020 to approximately HK\$74.8 million for the FY2021. The overall gross profit margin decreased from approximately 14.7% for the FY2020 to approximately 14.1% for the FY2021. The following table sets forth breakdown of gross profit and gross profit margin by segment:

	Year ended 31 March 2021		Year ended 31 March 2020	
	Gross Profit HK\$'000	Gross Profit Margin %	Gross Profit HK\$'000	Gross Profit Margin %
Environmental hygiene and related services	74,824	14.1	80,440	15.0
Airline catering support services	<u>—</u>	<u>—</u>	<u>3,265</u>	<u>9.9</u>
Total	<u>74,824</u>	<u>14.1</u>	<u>83,705</u>	<u>14.7</u>

The gross profit of environmental hygiene and related services decreased by approximately 7.0% from approximately HK\$80.4 million for the FY2020 to HK\$74.8 million for the FY2021. The overall gross profit margin decreased from approximately 15.0% for FY2020 to 14.1% for FY2021.

The drop of gross profit of environmental hygiene and related services was mainly due to reduced business activities in food waste removal service and reduced of services required for shopping arcade due to substantial drop of shoppers as impact of outbreak of COVID-19 epidemic. The zero gross profit contribution from airline catering support services was due to suspension of service by customers from March 2020 onwards because of outbreak of COVID-19.

General Operating Expenses

The general operating expenses increased by approximately HK\$7.2 million, representing an increase of approximately 12.5% to approximately HK\$65.0 million for the FY2021 as compared with that for the FY2020 which was mainly attributable to an one-off anti-epidemic allowance paid to staff for the FY2021.

Finance Costs

The Group's finance costs decreased by approximately 45.0% from approximately HK\$0.4 million for the FY2020 to approximately HK\$0.2 million for the FY2021 as the Group required less external financing for working capital requirement.

Profit and Total Comprehensive Income for the Year Attributable to Owners of the Company

The Group's profit and total comprehensive income attributable to owners of the Company for each of the FY2021 and FY2020 were approximately HK\$73.8 million and HK\$20.7 million respectively, representing of approximately 13.9% and 3.6% of the respective year's total revenue. The increase in net profit was mainly attributable to the receipt of subsidies of approximately HK\$65.5 million from government under employment support scheme.

Capital Expenditure

During the FY2021, the Group's capital expenditure mainly included additions in equipment and motor vehicles amounted to approximately HK\$8.8 million (FY2020: HK\$1.1 million). These capital expenditures were mainly financed by fund generated from operating activities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group's total current assets and current liabilities were approximately HK\$238.0 million (31 March 2020: HK\$173.0 million) and HK\$52.1 million (31 March 2020: HK\$59.0 million) respectively, while the current ratio was approximately 4.6 times (31 March 2020: approximately 2.9 times).

As at 31 March 2021, the Group had total assets of approximately HK\$276.5 million which were financed by total liabilities and total equity of approximately HK\$67.8 million and HK\$208.7 million respectively. As at 31 March 2021, the Group had cash and bank balance of approximately HK\$121.7 million (31 March 2020: approximately HK\$40.5 million).

The Group gearing ratio was 0.03 times as at 31 March 2021 (31 March 2020: 0.06 times), which was calculated based on the total bank borrowings over total equity of the Group.

There was no change to the Company's capital structure during the year ended 31 March 2021. As at 31 March 2021, the issued share capital of the Company was HK\$6,000,000 divided into 600,000,000 shares of HK\$0.01 each (the "Shares").

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 2,077 (31 March 2020: 1,967) employees. The Group enters into separate employment contracts with each of the Group's employees in accordance with the applicable employment laws in Hong Kong. The remuneration package includes basic salary, bonuses and other cash allowances or subsidies. The Group conducts annual review on salary, bonuses and promotions based on the performance of each employee. The total staff costs and related expenses (including directors' remuneration) for the year ended 31 March 2021 were approximately HK\$321.3 million, representing a decrease of approximately 1.6% or approximately HK\$5.3 million as compared with approximately HK\$326.6 million for the year ended 31 March 2020.

Apart from basic remuneration, share options have been granted under the pre-IPO share option scheme to recognise the contribution to the Group by an executive Director and certain employees of the members of the Group. Further share options may be granted under share option scheme to attract and retain the best available personnel, provide additional incentive to employees (full-time and part-time), as well as promote the success of the business of the Group.

In order to provide quality services to customers, the Group provides on-going training regularly to relevant staff across different departments with topics including but not limited to information technology, environmental protection, ISO training, safety training as well as trainings for supervisory roles, etc. Such trainings are either provided internally or by external parties.

FOREIGN EXCHANGE EXPOSURE

Since the Group generated all of the revenue and incurred most of the costs in Hong Kong dollars for the year ended 31 March 2021, there was no significant exposure to foreign exchange fluctuation and the Group did not maintain any hedging policy against foreign exchange risk. The management will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 and 31 March 2021.

CHARGE OVER GROUP'S ASSETS

The Group's leasehold land and buildings of carrying value of approximately HK\$26.2 million as at 31 March 2021 (31 March 2020: approximately HK\$27.2 million), were pledged to secure the bank loans.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had capital commitments of approximately HK\$1.5 million (31 March 2020: nil) in respect of contracted but not provided for purchase of property, plant and equipment.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2021.

SIGNIFICANT INVESTMENTS HELD

The Group did not have any significant investment held as at 31 March 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments or capital assets as of 31 March 2021.

USE OF PROCEEDS

Based on the offer price of HK\$0.42 per share, the net proceeds from the share offer, after deducting listing related expenses, amounted to approximately HK\$40.1 million. The Group has utilised and will continue to utilise such net proceeds from the share offer for the purposes set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the prospectus of the Company dated 28 February 2017 (the “**Prospectus**”). As at 31 March 2021, the Group’s planned application and actual utilisation of the net proceeds is set out below:

Use of proceeds	Percentage of total net proceeds	Planned applications <i>HK\$ in million</i>	Actual usage up to 31 March 2021 <i>HK\$ in million</i>	Unutilised net proceeds as at 31 March 2021 <i>HK\$ in million</i>	Expected timeline for the use of unutilised net proceeds
For strengthening the Group’s available financial resources to finance cash flow mismatch under the tender contracts	45.0%	18.1	18.1	—	N/A
For increasing the market penetration by strengthen the promotion of the Group’s brand	7.0%	2.8	2.2	0.6	By/before 31 March 2022
For strengthening the established position in the environmental services industry in Hong Kong	19.0%	7.6	7.6	—	N/A
For enhancing the information technology system to strengthen operational efficiency and service qualities	19.0%	7.6	5.1	2.5	By/before 31 March 2022
For the use as general working capital of the Group	10.0%	4.0	4.0	—	N/A
Total		<u>40.1</u>	<u>37.0</u>	<u>3.1</u>	

As at 31 March 2021, the unutilised net proceeds amounted to approximately HK\$3.1 million, which was intended to be utilised for (i) enhancing the information technology system to strengthen operational efficiency and service qualities as to approximately HK\$2.5 million; and (ii) increasing the market penetration by strengthen the promotion of the Group’s brand as to approximately HK\$0.6 million.

Due to the prolonging COVID-19 pandemic, unprecedented change has been made to the business environment socially and economically. Commercial activities and engagements have been cut out due to social distance restriction. Advertising and event sponsorship has been substantially reduced/suspended due to budget cut down and the production line from IT products manufacturer has also been

suspended, resulting in delay in delivery of products. As a result, the Company's utilization plan in increasing the market penetration and enhancing the information technology system has inevitably been delayed. With the introduction of COVID-19 vaccine, pandemic has been progressively relived. Under this condition, the Company will be more confident to resume the utilization plan with appropriate tools and channels for the long run. It is expected the use of unutilized net proceeds be completed by 31 March 2022.

As at 31 March 2021, the unutilised net proceeds of approximately HK\$3.1 million have been placed as interest bearing deposits with a licensed bank in Hong Kong and are intended to be applied in a manner consistent with the proposed allocations in the Prospectus.

EVENT AFTER REPORTING PERIOD

There are no significant events after the reporting period and up to the date of this annual results announcement.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange or Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange* as its own code of corporate governance.

Save for the deviation of code provision A.2.1 of the CG Code as described below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 March 2021 and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of deviation from such code in accordance with the Listing Rules.

** The GEM Listing Rules was applicable to the Company prior to the transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange on 11 June 2020 (the "**Transfer of Listing**"). Immediately after the Transfer of Listing, the Listing Rules shall be applicable to the Company.*

Chairperson and Chief Executive Officer

Up to the date of this results announcement, the Company has not appointed a chief executive officer and the role and functions of chief executive officer have been performed by all the executive Directors, including Madam Ng Sing Mui, the chairperson of the Company (the "**Chairperson**") and

an executive Director, collectively. The Board considered that this has the advantages of allowing contributions from all executive Directors with different expertise and will review the current situation from time to time and shall make necessary arrangements when the Board considers appropriate.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK5.9 cents (2020: nil) per Share for the year ended 31 March 2021, amounting to a total of HK\$35,400,000. The proposed final dividend is subject to the approval of the shareholders at the annual general meeting of the Company to be held on Tuesday, 10 August 2021 (the “**2021 AGM**”) and is expected to be payable on or about Tuesday, 31 August 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Thursday, 5 August 2021 to Tuesday, 10 August 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 4 August 2021.

For determining the entitlement of the shareholders to the aforesaid proposed final dividend, the register of members of the Company will be closed from Monday, 16 August 2021 to Wednesday, 18 August 2021, both days inclusive, during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the shareholders at the 2021 AGM, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 13 August 2021.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) on 21 February 2017 with written terms of reference in compliance with the CG Code. The Audit Committee comprises four independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Yuen Ching Bor Stephen, Mr. Ma Kwok Keung and Mr. Chan Chun Sing with Mr. Chung Koon Yan being the chairperson of the Audit Committee.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information.

The Audit Committee has reviewed the consolidated results of the Group for the year ended 31 March 2021 and is of the opinion that such consolidated results complied with the applicable accounting standards, the Listing Rules, other applicable legal requirements and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 has been expressed by BDO Limited on the preliminary announcement.

By Order of the Board
Winson Holdings Hong Kong Limited
Ng Sing Mui
Chairperson and Executive Director

Hong Kong, 25 June 2021

As at the date of this announcement, the executive Directors are Madam Ng Sing Mui, Ms. Sze Tan Nei, Mr. Ang Ming Wah and Mr. Sze Wai Lun; and the independent non-executive Directors are Mr. Yuen Ching Bor Stephen, Mr. Chung Koon Yan, Mr. Ma Kwok Keung, Mr. Wong Yat Sum and Mr. Chan Chun Sing.