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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 2021**

### **FINANCIAL HIGHLIGHTS**

- Total revenue for FY2021 increased by 14.6% to approximately HK\$898.2 million from approximately HK\$783.9 million for FY2020.
- Adjusted operating profit for FY2021 increased by 11.7% to approximately HK\$41.5 million from approximately HK\$37.1 million for FY2020.<sup>Note 1</sup>
- Adjusted profit for FY2021 increased by 12.2% to approximately HK\$33.4 million from approximately HK\$29.7 million for FY2020.<sup>Note 1</sup>
- As at 31 March 2021, cash and cash equivalents was approximately HK\$123.0 million, representing an increase of 45.7% as compared to that as at 31 March 2020.
- The Board does not recommend the payment of final dividends in respect of FY2021.
- Current ratio for FY2021 increased by 26.3% to approximately 4.8 from approximately 3.8 for FY2020.

*Note 1:* Excluding one-off subsidy income from Anti-epidemic Fund of HK\$23.4 million, adjusted operating profit and profit for the year for FY2021 was HK\$41.5 million and HK\$33.4 million respectively.

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 2021 (“**FY2021**”), together with the comparative figures for the year ended 31 March 2020 (“**FY2020**”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	<b>898,154</b>	783,935
Other income and gains, net	4	<b>24,108</b>	215
Employee benefits expenses	5	<b>(764,821)</b>	(647,909)
Subcontracting costs		<b>(34,023)</b>	(55,770)
Other operating expenses	6	<b>(58,489)</b>	(43,125)
Operating profit		<b>64,929</b>	37,346
Finance income		<b>50</b>	130
Finance costs		<b>(266)</b>	(544)
Finance costs, net	7	<b>(216)</b>	(414)
Profit before income tax		<b>64,713</b>	36,932
Income tax expense	8	<b>(7,933)</b>	(7,013)
<b>Profit for the year</b>		<b>56,780</b>	29,919
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations		<b>6,340</b>	(8,142)
Other comprehensive income/(loss) for the year, net of tax		<b>6,340</b>	(8,142)
<b>Total comprehensive income for the year</b>		<b>63,120</b>	21,777
<b>Earnings per share</b>			
Basic and diluted earnings per share (expressed in HK\$ cents)	9	<b>11.36</b>	5.98

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		23,176	20,754
Right-of-use assets		573	1,102
Investment in insurance contracts		28,000	27,119
Trade and other receivables	<i>10</i>	2,698	3,604
Deferred tax assets		201	192
		<u>54,648</u>	<u>52,771</u>
<b>Current assets</b>			
Trade and other receivables	<i>10</i>	208,604	205,166
Pledged bank deposits		53,754	45,212
Cash and bank balances		122,981	89,664
		<u>385,339</u>	<u>340,042</u>
<b>Total assets</b>		<u><b>439,987</b></u>	<u><b>392,813</b></u>
<b>EQUITY</b>			
Share capital		5,000	5,000
Share premium		111,783	111,783
Reserves		228,868	165,748
<b>Total equity</b>		<u><b>345,651</b></u>	<u><b>282,531</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		159	543
Long service payment liabilities		13,925	20,066
Deferred tax liabilities		14	21
		<u>14,098</u>	<u>20,630</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	71,578	66,829
Borrowings		6,919	21,269
Lease liabilities		384	506
Tax payable		1,099	790
Amounts due to related parties		258	258
		<u>80,238</u>	<u>89,652</u>
<b>Total liabilities</b>		<u><b>94,336</b></u>	<u><b>110,282</b></u>
<b>Total equity and liabilities</b>		<u><b>439,987</b></u>	<u><b>392,813</b></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.

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

The Group has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments does not have any significant impact on the consolidated financial statements of the Group.

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

Up to the date of issuance of this report, 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>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
AG5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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 to existing standards. The Group intends to adopt the above new standards to existing standards when they become effective.

## 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 the year ended 31 March 2021, no operating segment analysis is presented accordingly (2020: 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 2021 and 2020. Accordingly, no analysis by geographical information is provided.

### **Information about major customer**

The Group's largest customer contributes revenue amounting to approximately HK\$656,072,000 (2020: HK\$589,446,000) for the year ended 31 March 2021.

No other single customers contributed 10% or more to the Group's revenue for the year ended 31 March 2021 (2020: Nil).

## **3 REVENUE**

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

	<b>2021</b>	2020
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
Property management services income	<b>649,812</b>	616,330
Income from the provision of security services	<b>143,273</b>	148,454
Income from the provision of cleaning services	<b>74,153</b>	18,311
Secondment service income	<b>30,916</b>	840
	<b>898,154</b>	783,935

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. As permitted under HKFRS 15, the Group has elected the practical expedient for these types of contracts and made no disclosure on the transaction price allocated to these unperformed contracts.

#### 4 OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Subsidy income from Anti-Epidemic Fund ( <i>Note</i> )	23,430	200
Reversal of allowance for impairment of trade and other receivables	136	—
Gain on disposal of property, plant and equipment	—	15
Others	<u>542</u>	<u>—</u>
	<u><b>24,108</b></u>	<u><b>215</b></u>

*Note:* For the year ended 31 March 2021, the Group recognised a subsidy of HK\$36,806,000 under the 1st tranche and 2nd tranche of Employment Support Scheme (“**ESS**”) introduced by the Government of Hong Kong Special Administrative Region (“**HKSAR Government**”), of which an amount of HK\$14,600,000 in return reimbursed certain incorporated owners of private estates. The 1st tranche and 2nd tranche of ESS subsidy were granted by HKSAR Government in August 2020 and November 2020 respectively.

#### 5 EMPLOYEE BENEFITS EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries, bonuses and other allowances (including directors’ emoluments)	728,725	618,446
Pension costs — defined contribution plan	30,332	25,407
Accrual for unutilised annual leave	4,607	2,885
Provision for long service payment	<u>1,157</u>	<u>1,171</u>
	<u><b>764,821</b></u>	<u><b>647,909</b></u>

## 6 OTHER OPERATING EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Allowance for impairment of trade and other receivables	—	11
Auditor's remuneration		
— Recurring audit services	1,600	1,600
— Non-recurring audit services	1,380	—
Bank charges	1,782	1,692
Cleaning material costs, including protective gears and sanitising products	16,505	8,807
Depreciation of property, plant and equipment	2,071	1,651
Depreciation of right-of-use assets	529	312
Donation	61	58
Entertainment expenses	2,096	1,542
Insurance fee	9,563	8,525
Legal and professional fees	10,597	5,160
Motor vehicle expenses	1,455	1,297
Office supplies	959	1,680
Printing and stationary expenses	2,169	2,087
Rental expenses relating to short-term leases	370	398
Repair and maintenance	1,403	2,105
Uniform expenses	1,355	1,499
Utilities expenses	1,503	2,072
Others ( <i>Note</i> )	<u>3,091</u>	<u>2,629</u>
	<u><u>58,489</u></u>	<u><u>43,125</u></u>

*Note:* Mainly include advertising expenses, communication expenses, consumables and other general office expenses, which individually is not material to the Group.

## 7 FINANCE COSTS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	----- 50	----- 130
Interests on borrowings	(234)	(512)
Interests on lease liabilities	<u>(32)</u>	<u>(32)</u>
	----- (266)	----- (544)
	<u><u>(216)</u></u>	<u><u>(414)</u></u>



## 8 INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year, except for the first HK\$2 million of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered tax rate regime with effect from the year of assessment 2018–2019.

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

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current income tax		
— Provision for current tax	<b>7,969</b>	6,628
— (Over)/under provision in prior years	<b>(20)</b>	469
Deferred income tax	<b>(16)</b>	<b>(84)</b>
	<b><u>7,933</u></b>	<b><u>7,013</u></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>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit before income tax	<b><u>64,713</u></b>	<b><u>36,932</u></b>
Calculated at the Hong Kong Profits Tax rate	<b>10,513</b>	5,929
Income not subject to taxation	<b>(4,040)</b>	(159)
Expenses not deductible for taxation purposes	<b>1,457</b>	786
Tax losses not recognised	<b>23</b>	—
Utilisation of previously unrecognised tax losses	<b>—</b>	(12)
(Over)/under provision in prior years	<b>(20)</b>	<b>469</b>
	<b><u>7,933</u></b>	<b><u>7,013</u></b>

## 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.

	2021	2020
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	56,780	29,919
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	500,000	500,000
Basic earnings per share ( <i>HK\$ cents</i> )	<u>11.36</u>	<u>5.98</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 2021 (2020: Nil).

## 10 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Retention money receivables	2,698	2,702
Deposit for property, plant and equipment	<u>—</u>	<u>902</u>
	----- 2,698	----- 3,604
Current:		
Trade receivables and contract assets	199,484	189,505
Less: allowance for impairment	<u>(1,242)</u>	<u>(1,378)</u>
Trade receivables and contract assets — net	----- 198,242	----- 188,127
Reimbursement receivables	5,605	5,867
Less: allowance for impairment	<u>(406)</u>	<u>(406)</u>
Reimbursement receivables — net	5,199	5,461
Utilities and other deposits	471	1,028
Prepayments	4,602	3,779
Other receivables	<u>90</u>	<u>6,771</u>
Total prepayments, deposits and other receivables	----- 10,362	----- 17,039
	----- 208,604	----- 205,166
Total trade and other receivables	<u>211,302</u>	<u>208,770</u>

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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	<u>19,008</u>	<u>17,452</u>
Trade receivables:		
Less than 1 month	76,588	68,524
1 month and less than 3 months	93,003	84,789
3 months and less than 6 months	2,912	8,504
Over 6 months	<u>7,973</u>	<u>10,236</u>
	<u>180,476</u>	<u>172,053</u>
Total trade receivables and contract assets	<u>199,484</u>	<u>189,505</u>

## 11 TRADE AND OTHER PAYABLES

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<u>5,168</u>	<u>6,800</u>
Provision for unutilised annual leave	16,895	12,288
Accrued salaries, bonuses and pensions	45,758	42,328
Other accrued expenses and deposits received	3,190	2,787
Other payable	<u>567</u>	<u>2,626</u>
Total other payables	<u>66,410</u>	<u>60,029</u>
	<u>71,578</u>	<u>66,829</u>

At 31 March 2021 and 2020, the aging analysis of the trade payables based on invoice date was as follows:

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	4,864	5,650
91 to 180 days	<u>304</u>	<u>1,150</u>
	<u>5,168</u>	<u>6,800</u>

The Group's trade payables are denominated in HK\$.

The carrying amounts of trade and other payables approximate their fair values due to their short maturities.

## **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 2021 and 2020.

## **13 DIVIDENDS**

The directors of the Company do not recommend the payment of interim and final dividends for the year ended 31 March 2021 (2020: Nil).

## 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, as well as legal and administrative support services.

As at 31 March 2021, the Hong Kong Housing Authority (“**HKHA**”) remains as the Group’s largest customer, and the Group’s existing property management portfolio comprised thirty-two (32) HKHA contracts (including fourteen (14) property management services contracts, thirteen (13) stand-alone security services contracts, three (3) stand-alone cleaning services contracts, and two (2) secondment contracts); one (1) Urban Renewal Authority (“**URA**”) stand-alone security services contract; two (2) Home Ownership Scheme (“**HOS**”) property management contracts; seventy (70) private property management services contracts; three (3) private stand-alone cleaning services contracts; as well as five (5) monthly short-term Department of Health cleaning services (at quarantine centres) contracts.

In the year, The Group have strived to continue expanding our client base and business categories. Since February 2020 until the date of this announcement, we have been tendering special cleaning services at quarantine centres. The major contracts at Chun Yeung Estate quarantine centre have expired, while the latest ones at Penny’s Bay quarantine centre are still on-going.

Our effort at the quarantine centres had not only brought additional profit to the Group, but more importantly, also reinforced our image as a reputable company with quality services, which is beneficial to our attempts in exploring further business opportunities.

#### Outbreak of Novel Coronavirus

The Group is very concerned about the health and safety of our staff, especially during the pandemic. Since the outbreak of Coronavirus Disease 2019 (“**Covid 19**”), the Group has continuously deployed additional resources for funding the necessary manpower and resources. This year, we provided daily essential protective gears, including face masks and sanitising products for over 5,000 employees (office, cleaning and security staff) and disinfection/cleaning materials for the intensified cleaning tasks.

Since the spread of the mutated coronavirus strain, our estate management staff have undergone unprecedented pressure. Should there be compulsory testing or quarantine operations in specified restricted areas, our estate officers and security teams play a crucial role in assisting the police and health officers in cordoning the restricted area, helping the residents particularly the elderly and people who require assistance in conducting compulsory testing and cooperating with quarantine operations, addressing the residents' concerns and enquiries and controlling the crowd.

Our cleaning staff are on the frontline of fighting this global pandemic as they are responsible for deep cleaning, disinfecting and scrubbing the surfaces and areas that are hosts of potentially dangerous germs and viruses. Under the guidance of our estate managers, they take a proactive role in sanitising common areas and increasing the frequency of their cleaning tasks. Frequently visited spaces such as corridors, mailboxes and elevators are of priority to be sanitised.

As the pandemic is expected to persist for a considerable period, the Group would continue to reserve sufficient funds to meet the additional manpower and resource requirements. The Group will continue to observe the development of the pandemic and evaluate its impact on our financial position and operation.

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

For the year ended 31 March 2021, the Group successfully acquired one (1) new public property management contract, two (2) new public secondment contracts, five (5) new stand-alone security services contracts, four (4) new private property management contracts, one (1) new HOS property management contract, and fifty-one (51) monthly short-term quarantine cleaning services contracts.

We successfully re-tendered for two (2) public property management contracts and four (4) public stand-alone security services contracts, and have five (5) private property management contracts renewed.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 March 2020 and 2021, 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 the year ended 31 March 2020 and 2021:

	2021		2020		Change	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Property management services	<b>649,812</b>	<b>72.3</b>	616,330	78.6	33,482	5.4
Stand-alone security services	<b>143,273</b>	<b>16.0</b>	148,454	19.0	(5,181)	(3.5)
Stand-alone cleaning services	<b>74,153</b>	<b>8.3</b>	18,311	2.3	55,842	305.0
Secondment service income	<b>30,916</b>	<b>3.4</b>	840	0.1	30,076	3,580.5
Total	<b><u>898,154</u></b>	<b><u>100.0</u></b>	<b><u>783,935</u></b>	<b><u>100.0</u></b>	<b><u>114,219</u></b>	<b><u>14.6</u></b>

The Group's total revenue improved by approximately 14.6% from approximately HK\$783.9 million for the year ended 31 March 2020 to approximately HK\$898.2 million for the year ended 31 March 2021. The increase was primarily attributable to the combine effect of (i) procurement of a number of cleaning services contracts at the quarantine facilities awarded by the Hong Kong Department of Health, to provide additional anti-epidemic cleaning services; and (ii) the organic growth of business by successfully acquiring fourteen (14) new public contracts (three (3) property management contracts, nine (9) stand-alone security services contracts, and two (2) secondment contracts), and four (4) new private property management 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 5.4% from approximately HK\$616.3 million for the year ended 31 March 2020 to approximately HK\$649.8 million for the year ended 31 March 2021. The increase in revenue of approximately HK\$33.5 million was primarily attributable to (i) the Company having successfully tendered for one (1) new public property management contract commencing in the first quarter of the year, and re-tendered for further two (2) public property management contracts commencing in the last quarter of the year; (ii) the acquirement of four (4) new private property management services

contracts and one (1) new HOS property management contract, all in the last quarter of the year; 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 decreased by approximately 3.5% from approximately HK\$148.5 million for the year ended 31 March 2020 to approximately HK\$143.3 million for the year ended 31 March 2021. Such decrease was primarily due to the expiry of three contracts (two contracts as from the first quarter of the year, and one contract from the 3rd quarter of the year). Despite the Company has subsequently obtained five new contracts, these were all commenced in the third and last quarter of the year, and hence the increase in revenue could hardly cover the loss which had extended throughout the whole year.

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

Revenue generated from stand-alone cleaning services contracts increased by approximately 305.0% from approximately HK\$18.3 million for the year ended 31 March 2020 to approximately HK\$74.2 million for the year ended 31 March 2021. Such increase was primarily due to (i) the award of 51 short-term cleaning services contracts at quarantine centres; and (ii) the upward price adjustment on the Group's services to some existing cleaning services contracts.

### **Secondment Services**

Revenue generated from secondment services amounted to approximately HK\$30.9 million for the year ended 31 March 2021. The revenue generated was primarily attributable to two (2) new secondment services contracts obtained from the HKHA that commenced in the first and third quarter of the year ended 2021.

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

Other income and gains, net increased by approximately HK\$23.9 million from approximately HK\$0.2 million for the year ended 31 March 2020 to approximately HK\$24.1 million for the year ended 31 March 2021. Such increase was primarily due to the time-limited wage subsidy under the first and second tranche of HKSAR Government's Employment Support Scheme.



## **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 2021, the Group had a total of 5,092 employees (2020: 4,818 employees).

Employee benefits expenses continue to represent one of the Group's major costs. Such expenses increased by approximately 18.0% from approximately HK\$647.9 million for the year ended 31 March 2020 to approximately HK\$764.8 million for the year ended 31 March 2021. Such increase was primarily due to (i) the increase in the number of staff employed for the year ended 31 March 2021 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 decreased by approximately 39.0% from approximately HK\$55.8 million for the year ended 31 March 2020 to approximately HK\$34.0 million for the year ended 31 March 2021. Such decrease was primarily due (i) to the cessation of sub-contracting cleaning contracts for Sau Mau Ping Estate and Shek Lei (II) Estate in September 2019 and December 2019 respectively; and (ii) the cessation of sub-contracting security contracts for Shek Lei (II) Estate in December 2019.

## **Other Operating Expenses**

Other operating expenses mainly included insurance expenses, office supplies expenses, guarantee fee for performance bonds, entertainment and estate maintenance expenses. Please refer to Note 6 to this announcement for details of other operating expenses.

Other operating expenses amounted to approximately HK\$58.5 million for the year ended 31 March 2021, representing an increase of approximately 35.6% from HK\$43.1 million for the year ended 31 March 2020. Such increase is mainly due to (i) the Group has continuously adopted rigorous measures to protect the health and safety of our staff and clients because of the persisting epidemic. There was the need to carry out additional daily cleansing and disinfection tasks, resulting in increasing costs for cleansing material, including the provision of daily essential protective gears and sanitising products; and (ii) the additional expenditure on legal and professional fees in relation to the possible mandatory unconditional cash offer as detailed in page 21 to this announcement. There is no significant change in the cost control policy of the Group and the other operating expenses remained relatively stable except as discussed above.

## Operating Profit and Operating Profit Margin

Since the Company has opportunity to enhance the growth of its business by acquiring cleaning services contracts for quarantine centres during the period of epidemic outbreak, adjusted operating profit (excluding one-off government subsidy of HK\$23.4 million) has largely increased by approximately 11.7% from approximately HK\$37.1 million for the year ended 31 March 2020 to approximately HK\$41.5 million for the year ended 31 March 2021.

## Finance Costs

Finance costs were approximately HK\$0.3 million for the year ended 31 March 2021, representing a decrease of approximately 51.1% from HK\$0.5 million for the year ended 31 March 2020.

## Income Tax Expense

Income tax expense was approximately HK\$7.9 million for the year ended 31 March 2021 (2020: HK\$7.0 million). Profit before income tax excluding one-off subsidy income from Anti-epidemic Fund of HK\$23.4 million is amounted to approximately HK\$41.3 million for the year ended 31 March 2021 compared to that of approximately HK\$36.9 million for the year ended 31 March 2020.

## SERVICES CONTRACTS ACQUIRED/RENEWED

The following table sets out the number of contracts the Group was providing services to at the end of the reporting period:

Type of contracts	Number of contracts
(1) Public contracts from HKHA (including property management, secondment and stand-alone security and cleaning services contracts)	32
(2) Public security services contracts from URA	1
(3) Public cleaning services contracts from Department of Health (quarantine centres)	5
(4) Private contracts (including property management and stand-alone cleaning services contracts)	<u>75</u>
Total:	<u><u>113</u></u>

## DIVIDENDS

The Board does not recommend the payment of final dividends by the Company for the year ended 31 March 2021 (2020: Nil). There are no arrangements under which a shareholder of the Company (“Shareholder”) has waived or agreed to waive any dividend.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 March 2021, 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 2021, 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.

	<b>For the year ended/as at 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Financial position</b>		
Current assets ( <i>HK\$’000</i> )	<b>385,339</b>	340,042
Current liabilities ( <i>HK\$’000</i> )	<b>80,238</b>	89,652
Net current assets ( <i>HK\$’000</i> )	<b>305,101</b>	250,390
Total assets ( <i>HK\$’000</i> )	<b>439,987</b>	392,813
Borrowings ( <i>HK\$’000</i> )	<b>6,919</b>	21,269
Cash and bank balances ( <i>HK\$’000</i> )	<b>122,981</b>	89,664
Pledged bank deposits ( <i>HK\$’000</i> )	<b>53,754</b>	45,212
Total equity ( <i>HK\$’000</i> )	<b>345,651</b>	282,531
<b>Key financial ratios</b>		
Return on equity ( <i>Note 1</i> )	<b>18.1%</b>	11.0%
Return on total assets ( <i>Note 2</i> )	<b>13.6%</b>	7.9%
Current ratio ( <i>Note 3</i> )	<b>4.8</b>	3.8
Gearing ratio ( <i>Note 4</i> )	<b>2.2%</b>	8.0%

*Notes:*

1. Return on equity is calculated by dividing net profit for the year by the average of the total equity 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 as at the end of the relevant period. Total debt is defined as the sum of borrowings, lease liabilities and amounts due to related parties.

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from the Shareholders.

Cash and cash equivalents were cash and bank balances deducted by bank overdrafts balances. As at 31 March 2021, the Group had cash and cash equivalents of approximately HK\$123.0 million (2020: approximately HK\$84.4 million), which comprised cash and bank balances of approximately HK\$123.0 million (2020: approximately HK\$89.7 million) and bank overdrafts of approximately HK\$0.02 million (2020: approximately HK\$5.3 million).

### **Return on Equity**

The return on equity increased from 11.0% for the year ended 31 March 2020 to 18.1% for the year ended 31 March 2021.

### **Return on Total Assets**

The return on total assets increased from 7.9% for the year ended 31 March 2020 to 13.6% for the year ended 31 March 2021.

### **Current Ratio**

The Group's current ratio increased from 3.8 times as at 31 March 2020 to 4.8 times as at 31 March 2021 mainly due to more trade and other receivables as at 31 March 2021.

### **Gearing Ratio**

The Group's gearing ratio as at 31 March 2021 was 2.2% (2020: 8.0%). The total borrowings decreased from approximately HK\$21.3 million as at 31 March 2020 to approximately HK\$6.9 million as at 31 March 2021. On the other hand, the Group's total equity increased during the year ended 31 March 2021 due to profit making during the year.

### **PERFORMANCE BOND**

As at 31 March 2021, 49 bond certificates issued by the banks amounting to approximately HK\$147.7 million (2020: approximately HK\$136.8 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\$4.5 million for the year ended 31 March 2021 (2020: approximately HK\$1.5 million).

## **CAPITAL COMMITMENTS**

As at 31 March 2021, no capital expenditure on acquisition of property, plant and equipment contracted but not recorded in the consolidated financial statements (2020: HK\$387,000).

## **MAJOR INVESTMENT, ACQUISITIONS AND DISPOSALS**

Save as disclosed in this annual result announcement, the Group did not have any major investment, acquisitions, and disposals during the year ended 31 March 2021. There was no future plan for material investments or capital assets by the Group.

## **CONTINGENT LIABILITIES**

Save as disclosed in Note 12 to this announcement, as at 31 March 2021, the Group did not have other material contingent liabilities.

## **POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER**

Reference is made to the announcements dated 8 March 2021, 26 March 2021, 26 April 2021, 31 May 2021 and 9 June 2021. On 5 March 2021, Sinotrans Shipping Limited (the “**Offeror**”), Mr. Poon Kin Leung, Mr. Lee Siu Wah Albert, Mr. Lai Wai Man and Mr. Wong King Cheung (collectively known as the “**Guarantors**” and each a “**Guarantor**”) and Genesis Group Limited (“**Genesis Group**”) entered into a sale and purchase agreement, pursuant to which the Offeror has conditionally agreed to acquire, and Genesis Group has conditionally agreed to sell 267,562,500 shares of the Company (the “**Sale Shares**”), representing approximately 53.51% of the entire issued share capital of the Company, free from encumbrances together with all rights attaching to them on or after the date on which the completion of the sale and purchase agreement takes place, for a total consideration of HK\$389,571,000. As at the date of this announcement, the sale and purchase of the Sale Shares has not yet been completed.

Immediately after the completion of the sale and purchase of the Sale Shares, the Offeror and parties acting in concert with it will own a total of 267,562,500 shares of the Company, representing approximately 53.51% of the entire issued share capital of the Company. Accordingly, the Offeror will be required to make a mandatory

unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued shares of the Company which are not owned or have been agreed to be acquired by the Offeror and parties acting in concert with it.

Further announcement(s) regarding the sale and purchase of the Sale Shares will be made by the Company as and when appropriate.

## **SIGNIFICANT LITIGATION**

On 23 November 2017, Creative Property Services Consultants Limited (“**Creative Property**”), an indirectly owned subsidiary of the Company, 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. Expert directions are granted on 15 May 2020, and the Case Management Summons was fixed on 15 October 2020. The case has been set down for a 5-day trial before a bilingual judge. The Pre-Trial Review is fixed on 15th July 2021, and the 5-day trial is fixed on the 10th to 12th and 15th and 16th day of November 2021. There is hence no judgement or settlement as at the date of this announcement.

With reference to legal advice, our Directors believe the Group has a strong case in claiming for the outstanding service fees in a total sum of approximately HK\$6 million against the Defendant. Further, 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.

## **CHARGES OVER ASSETS OF THE GROUP**

As at 31 March 2021, the Group had pledged its leasehold land and buildings of approximately HK\$15.2 million (2020: approximately HK\$15.5 million), bank deposits of approximately HK\$53.8 million (2020: approximately HK\$45.2 million) and investment in insurance contracts of approximately HK\$13.0 million (2020: approximately HK\$12.6 million) to banks for securing its performance bonds of

approximately HK\$147.7 million (2020: approximately HK\$136.8 million) and bank borrowings of approximately HK\$6.9 million (2020: approximately HK\$16.0 million) under certain banking facilities.

## **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 the year ended 31 March 2021, 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 the year ended 31 March 2021.

## **CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS**

On 11 December 2018, the shares in the Company (the “**Shares**”) were successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Since the date of Listing, there was no change to the information required to be disclosed by the Directors pursuant to Rule 13.51(2)(a) to (e) and (g) of the Listing Rules where applicable.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2021, the Group employed a total workforce of 5,092 staff members.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits schemes, share options may also be granted to staff with reference to the individual's performance. Moreover, the Group also provides internal and external training to its staff to enable them to achieve self-improvement and to enhance their job-related skills.

## **USE OF PROCEEDS FROM LISTING**

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 2021, a large portion of the net proceeds from the Listing had been utilised with reference to the section headed “Future Plans and Use of Proceeds” of the Prospectus as follows:

	As at 31 March 2020			As at 31 March 2021		Expected timeline for utilising the remaining unutilised Net Proceeds
	Planned application	Actual utilised amount	Unutilised amount	Actual utilised amount	Unutilised amount	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Working capital and cash deposit to secure the performance bonds for undertaking additional contracts (Note)	71.5	36.3	35.2	71.5	—	
Upgrade of computer system and accounting system	4.7	1.3	3.4	3.9	0.8	On or before 31 March 2022
Acquisition of property management company in Hong Kong	18.9	—	18.9	—	18.9	On or before 31 March 2022
General working capital	4.3	4.1	0.2	4.3	—	
<b>Total</b>	<b>99.4</b>	<b>41.7</b>	<b>57.7</b>	<b>79.7</b>	<b>19.7</b>	

*Note:* All remaining unutilised amount of HK\$35.2 million of the net proceeds as at 31 March 2020 for working capital and cash deposit to secure the performance bonds for undertaking additional contracts were fully utilised during the year ended 31 March 2021 on the initial cost for eight (8) new contracts from the HKHA (one (1) property management contract, two (2) secondment contracts, and five (5) stand-alone security services contracts); five (5) new private management contracts (including one (1) HOS new contract) and fifty-one (51) short-term cleaning services contracts at quarantine centres acquired during the twelve months ended 31 March 2021.

The unutilised amount of the net proceeds has been applied in the manner consistent with that mentioned in the Prospectus. As at 31 March 2021, the unutilised net proceeds were deposited in short-term demand deposits with licensed banks in Hong Kong. There still remained a small balance for upgrading of computer and accounting system. As for acquisition of property management company, the Directors are continuously looking closely into the market for a suitable target.



## **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 the date of this announcement (the “**Review Period**”) with the Group’s actual business progress for the Review Period is set out as follows:

### **Business objectives stated in the Prospectus**

### **Actual business progress**

Tendering for additional property management services contracts, stand-alone security services contracts and stand-alone cleaning services contracts

For the year ended 31 March 2021, the Company was awarded one (1) new property management contract, five (5) new stand-alone security services contracts, and two (2) new secondment contracts by the Housing Authority. The Company has also been successful in re-tendering for two (2) new property management contracts and four (4) new stand-alone security services contracts.

For the year ended 31 March 2021, the Company also successfully tendered for fifty-one monthly short-term cleaning services contracts at quarantine centres.

Expanding our service for HOS estates, non-residential properties and private housing estates

For the year ended 31 March 2021, the Company successfully tendered for the property management contracts of one (1) HOS estates and four (4) private properties.

Upgrading our computer system and accounting system

For the year ended 31 March 2021, the Company had replaced/purchased new computer sets, hard disks, routers and relevant accounting software to maximise efficiency.

Growing our business through acquisition of property management company in Hong Kong

As at 31 March 2021, the Company had not acquired any property management company in Hong Kong.

## 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) (including but not limited to any employee, director, supplier, customer, adviser, consultant, shareholder, partner or joint-venture partner of the Group or any entity in which any member of the Group holds an equity interest) 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 and the total number of the Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless approved by 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. The remaining life of the Share Option Scheme is approximately 7 years and 5 months. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. Further details of the Share Option Scheme are set out in the section headed “4. Share Option Scheme” in Appendix IV to the Prospectus.

No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Share Option Scheme as at the date of this announcement. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at the date of this announcement. The total number of Shares

which may be issued upon the exercise of all options to be granted under the Share Option Scheme was 150,000,000 Shares, representing approximately 30% of the issued share capital of the Company as at 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 FY2021 (the "**2021 Annual Report**"). The Board is of the view that, since the date of Listing, 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 date of Listing up to 31 March 2021.

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 FY2021.

### **Termination of Compliance Adviser**

The Company and Zhongtai International Capital Limited have mutually agreed on an early termination of the compliance adviser agreement dated 21 September 2020 with effect from 31 December 2020.

### **Interest of Compliance Adviser**

After the termination of contract with Zhongtai International on 31 December 2020, the Group was not in hire of a compliance advisor.

## **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 the year ended 31 March 2021 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 18 August 2021, 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.

## **Closure of Register of Members**

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 18 August 2021, the register of members of the Company will be closed from 13 August 2021 to 18 August 2021 (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 12 August 2021.

## **Publication of Results and the 2021 Annual Report**

The 2021 Annual Report will be published on the websites of the Company (<https://cpsc.hk/en/investor-relations/>) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course. 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 FY2021 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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**

### **New contracts awarded**

Creative Property was successful in tendering for two (2) new public property management services contracts commencing on 12 April 2021 and 16 June 2021; and also successful in the retendering for another two (2) public property management services contracts commencing on 31 May 2021 and 12 June 2021. The Company was also continuously awarded monthly short-term cleaning service contracts at quarantine centres.

Save as disclosed in the section headed “Management Discussion and Analysis” of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement.

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

Hong Kong, 28 June 2021

*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.*