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Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1955)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Board of Hong Kong Johnson Holdings Co., Ltd. is pleased to announce the audited consolidated annual results of the Group for year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020.

FINANCIAL HIGHLIGHTS

	Year ended 31 March		Change
	2021 HK\$'000	2020 HK\$'000	
Revenue	2,767,475	1,784,981	55.0%
Gross profit	283,843	121,146	134.4%
Gross profit margin (%)	10.3%	6.8%	
Profit for the year attributable to equity shareholders of the Company	188,535	28,457	561.4%
Adjusted profit for the year attributable to equity shareholders of the Company ^{(1)&(2)}	137,064	39,318	248.9%
Basic and diluted earnings per share (HK cents)	37.7	6.6	471.2%
Proposed final dividend per share (HK cents)	7.5	–	N/A

Notes:

- (1) Adjusted profit is derived by adding listing expenses for the year ended 31 March 2020 and excluding the receipt of wage subsidies from the government's Employment Support Scheme under the anti-epidemic fund scheme for the year ended 31 March 2021.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	2,767,475	1,784,981
Cost of services		<u>(2,483,632)</u>	<u>(1,663,835)</u>
Gross profit		283,843	121,146
Government subsidies from Employment Support Scheme of Hong Kong Special Administrative Region		51,471	–
Other income	4	7,772	2,480
Other gains	5	1,094	332
Allowance for account receivables		(1,830)	(1,567)
Administrative expenses		<u>(116,759)</u>	<u>(74,979)</u>
Profit from operations		225,591	47,412
Finance costs		<u>(9,682)</u>	<u>(10,354)</u>
Profit before tax		215,909	37,058
Income tax expense	6	<u>(27,374)</u>	<u>(8,601)</u>
Profit for the year	7	<u>188,535</u>	<u>28,457</u>
Other comprehensive income for the year, net of tax		<u>–</u>	<u>–</u>
Total comprehensive income for the year attributable to equity shareholders of the Company		<u>188,535</u>	<u>28,457</u>
Earnings per share			
Basic and diluted (HK cents per share)	9	<u>37.7</u>	<u>6.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		123,704	84,167
Right-of-use assets		51,004	43,179
Financial assets at fair value through profit or loss (“FVTPL”)		11,931	19,284
Deferred tax assets		522	–
Total non-current assets		187,161	146,630
Current assets			
Account receivables	<i>10</i>	360,155	334,853
Prepayments, deposits and other receivables		5,018	16,578
Current tax assets		–	2,228
Pledged bank deposits		24,443	16,322
Bank and cash balances		383,738	169,010
Total current assets		773,354	538,991
Current liabilities			
Account payables	<i>11</i>	22,857	19,216
Accruals, other payables and provisions		319,098	211,757
Bank and other borrowings		41,119	106,269
Lease liabilities		10,041	7,013
Current tax liabilities		22,154	–
Total current liabilities		415,269	344,255
Net current assets		358,085	194,736
Total assets less current liabilities		545,246	341,366

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Provisions		4,106	4,261
Bank and other borrowings		19,316	10,678
Lease liabilities		18,820	16,097
Deferred tax liabilities		14,231	10,092
		<hr/>	<hr/>
Total non-current liabilities		56,473	41,128
		<hr/>	<hr/>
NET ASSETS		488,773	300,238
		<hr/>	<hr/>
Equity			
Share capital		5,000	5,000
Reserves		483,773	295,238
		<hr/>	<hr/>
TOTAL EQUITY		488,773	300,238
		<hr/>	<hr/>

NOTES:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprises Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations. These consolidated financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. The application of the amendments had no impact on the consolidated financial statements as the Group had no acquisition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group had not applied hedge accounting.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	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
Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

(a) Disaggregation of revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Cleaning, janitorial and other related services income	<u>2,767,475</u>	<u>1,784,981</u>
Timing of revenue recognition		
Services transferred over time	<u>2,767,475</u>	<u>1,784,981</u>

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2021 and the expected timing of recognising revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	2,268,597	1,466,792
More than one year but not more than two years	1,093,872	697,234
More than two years	<u>195,088</u>	<u>57,892</u>
	<u>3,557,557</u>	<u>2,221,918</u>

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	132	456
Dividend income from financial assets at FVTPL	93	100
Government subsidies (<i>note</i>)	7,467	1,575
Sundry income	<u>80</u>	<u>349</u>
	<u>7,772</u>	<u>2,480</u>

Note: The amounts represent government grants for eligible goods vehicles under One-off Subsidy, the ex-gratia payments for the retirement of certain motor vehicles and other subsidies received from the Government of the Hong Kong Special Administrative Region.

5. OTHER GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposals/written off of property, plant and equipment, net	375	83
Fair value gains on financial assets at FVTPL	719	249
	<u>1,094</u>	<u>332</u>

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	23,612	1,293
Under-provision in prior years	145	142
	<u>23,757</u>	<u>1,435</u>
Deferred tax	3,617	7,166
	<u>27,374</u>	<u>8,601</u>

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in these jurisdictions.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 March 2021 and 2020.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax	<u>215,909</u>	<u>37,058</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	35,625	6,115
Tax effect of income that is not taxable	(8,969)	(100)
Tax effect of expenses that are not deductible	849	2,534
Tax concession	(10)	(20)
Under-provision in prior year	145	142
Others	(266)	(70)
	<u>27,374</u>	<u>8,601</u>
Income tax expense	<u>27,374</u>	<u>8,601</u>

7. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration	1,130	1,080
Cost of services (<i>note a</i>)	2,483,632	1,663,835
Depreciation of property, plant and equipment	25,473	13,349
Depreciation of right-of-use assets	8,933	4,645
Listing expenses	–	10,861
Allowance for account receivables	1,830	1,567
	<hr/>	<hr/>
Staff costs including labour costs, employee expenses and directors' emoluments		
Salaries, bonuses and allowances	2,144,126	1,419,254
Provision for employee benefits (<i>note b</i>)	50,107	29,125
Retirement benefit scheme contributions	56,251	34,858
Other benefits	1,829	1,516
	<hr/>	<hr/>
	2,252,313	1,484,753
	<hr/>	<hr/>

Notes:

- (a) For the year ended 31 March 2021, the cost of services, amongst others, includes labour costs and depreciation totaling HK\$2,200,941,000 (2020: HK\$1,460,243,000).
- (b) Provision for employee benefits includes unutilised annual leave, estimated long service payments, gratuity and redundancy cost.

8. DIVIDENDS

Subsequent to the end of the reporting period, the final dividend in respect of the year ended 31 March 2021 of HK7.5 cents per share has been proposed and recommended for payment by the directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of calculating basic earnings per share	<u>188,535</u>	<u>28,457</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>500,000</u>	<u>432,377</u>

The weighted average numbers of ordinary shares used as denominator for calculating the basic and diluted earnings per share are the same for the year ended 31 March 2021. The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2020 has been adjusted for the effect of the Global Offering (as defined in the prospectus issued by the Company on 27 September 2019).

10. ACCOUNT RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Account receivables	363,954	336,860
Allowance for account receivables	<u>(3,799)</u>	<u>(2,007)</u>
	<u>360,155</u>	<u>334,853</u>

The credit terms of account receivables generally range from 14 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of account receivables, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 90 days	336,448	303,299
91 to 180 days	13,560	24,615
181 days to 1 year	9,205	7,439
Over 1 year	<u>4,741</u>	<u>1,507</u>
	<u>363,954</u>	<u>336,860</u>

As at 31 March 2021, HK\$36,868,000 (2020: HK\$55,452,000) of account receivables were pledged to banks to secure factoring loans.

The carrying amounts of the Group's account receivables are denominated in HK\$.

Transfer of financial assets

The followings were the Group's account receivables as at 31 March 2021 and 2020 that were transferred to banks by factoring account receivables on recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the account receivables and has recognised the cash received on the transfer as secured factoring loans. These financial assets were carried at amortised cost in the Group's consolidated statements of financial position.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of transferred assets	36,868	55,452
Carrying amount of associated liabilities	<u>(33,518)</u>	<u>(49,907)</u>
Net position	<u>3,350</u>	<u>5,545</u>

11. ACCOUNT PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 30 days	15,457	18,693
31 to 60 days	5,478	493
61 to 90 days	1,776	–
Over 90 days	<u>146</u>	<u>30</u>
	<u>22,857</u>	<u>19,216</u>

The carrying amounts of the Group's account payables are denominated in HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS RESULT

Results

The Group is a leading environmental hygiene service provider which provides a wide range of environmental hygiene services to all major districts throughout Hong Kong, including provision of cleaning services for buildings, parks, recreation centers, streets and institutions, as well as other cleaning services.

The Group recorded a revenue of approximately HK\$2,767.5 million for the year ended 31 March 2021, representing an increase of 55.0% compared with that of last year. The Group's overall gross profit margin increased from approximately 6.8% to approximately 10.3%, which was mainly due to the successful cost control measures implemented by the Group and the changing of its tendering approach to focus on more profitable contracts.

Profit for the year increased by approximately HK\$160.0 million or 561.4% from approximately HK\$28.5 million for the year ended 31 March 2020 to approximately HK\$188.5 million for the year ended 31 March 2021. The increase was mainly due to the increase in gross profit by approximately HK\$162.7 million from our services and the receipt of wage subsidies from the government's anti-epidemic fund scheme, partly offset by the increase in administrative expenses and income tax expenses.

Business Review and Prospects

Since the unfortunate global outbreak of COVID-19 pandemic in early 2020, all sectors of the society have strengthened their anti-epidemic requirements in a targeted manner against the spread of the pandemic. Leveraging on the extensive experience of its management team to rapidly deploy operating resources and coordinate frontline employees, the Group has been able to ensure stable operation while meeting the demand of different clients for cleaning services. Extra staff were employed on an ongoing basis during the epidemic, as we committed ourselves to providing clients with tailor-made high-quality environmental hygiene services. Furthermore, to address the threat of infectious diseases and ensure the safety of its frontline employees, the Group has made further risk assessments on daily operations and taken a range of actions, including provision of work guidelines to strengthen frontline employees' knowledge on protection and prevention as well as their awareness of preventing infectious diseases. We also strive to provide frontline employees with adequate personal protective equipment, disinfection tools and supplies for routine cleaning and disinfection. Therefore, with the efforts of our excellent team and our well-established goodwill, the Group successfully secured more service contracts during the year, especially those from the government, which drove the major growth of our business within the year and helped the Group's performance to reach a historic pinnacle.

Since the incorporation of Johnson Environmental Company Limited and i-CLEAN LIMITED, the Group has been actively developing its garbage logistics business and distribution agency business for distributing innovative technological products and equipment pertaining to environmental hygiene services.

Regarding the garbage logistics business, the Group launched its garbage logistics service by undertaking the solid waste recycling service contracts from its existing clients. Since then, it managed to secure the first five-year garbage collection service contract from the government during the year. For merely a year, the Group has formed its specialized vehicles fleet and expanded it from 300 vehicles to nearly 400 vehicles, including specialized ones such as grab tippers, water wagons and garbage compactor vehicles. In response to environmental protection, the Group will prioritize the purchase of vehicles with higher efficiency and less air polluting, especially Euro VI vehicles. The Group also self-developed a fleet management system for centralized management of its massive fleet. The system will track the activities of the Group's vehicles, assist in arranging routes and deploy the vehicles flexibly, so as to plan the work schedule and use the vehicles more efficiently, thereby minimizing fuel consumption and exhaust emission.

Regarding the distribution agency business, the Group endeavors to supply products and equipment with innovative technology for environmental hygiene services, such as fully automatic smart cleaning robots and antibacterial coating services, to accommodate the needs of our clients. At the same time, we have strategically introduced innovative technology products as value-added service to our tendering projects, to improve our service quality and enable the Group to secure more service contracts. On the other hand, innovative technology products effectively enhance service automation, thus reducing manpower and improving service efficiency. Going forward, the Group will continue to introduce more innovative technology products and equipment for environmental hygiene services, in order to provide our clients with more diversified services.

The Group is committed to maintaining the steady growth of its overall business as well as exploration and innovation. Relying on the Group's industry leading position in the hygiene services market in Hong Kong, the Group will actively develop its garbage logistics business and distribution agency business, to further expand the Group's scope of business. At the same time, the Group will proactively seek for opportunities for merger and acquisition in Hong Kong with a view to accelerating its overall business growth and cement its presence in local markets. Further, we will complement the National 14th Five-Year Plan by actively studying the opportunities in the environmental hygiene services market in the Greater Bay Area, to capture business opportunities for expanding our business as and when appropriate.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 March 2021 and 2020 were approximately HK\$2,767.5 million and HK\$1,785.0 million respectively, representing an increase of approximately 55.0%. The increase was mainly due to the increase in revenue generated from our government sector customers.

Cost of services

The cost of services primarily comprised of labour costs, cleaning materials costs and motor vehicles expenses. For the years ended 31 March 2021 and 2020, the cost of services amounted to approximately HK\$2,483.6 million and HK\$1,663.8 million respectively, representing approximately 89.7% and 93.2% of the Group's revenue for the corresponding

years respectively. The percentage of cost of services to the Group's revenue decreased by approximately 3.5% as the Group was successful in implementing cost control measures and changing its tendering approach to focus on more profitable contracts.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2021 was approximately HK\$283.8 million, representing an increase of approximately HK\$162.7 million or 134.4% from approximately HK\$121.1 million for the corresponding year in 2020. The increase was mainly due to the increase in revenue and gross profit margin.

The gross profit margins of the Group for the years ended 31 March 2021 and 2020 were approximately 10.3% and 6.8% respectively. As mentioned above, the increase in gross profit margin was mainly attributable to better cost control measures implemented by the Group and the changing of its tendering approach to focus on more profitable contracts. Therefore, the increment in revenue was higher than that in cost of services which resulted in the increase of gross profit margin.

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

During the year ended 31 March 2021, the Group received wage subsidies of HK\$51.5 million (2020: Nil) from the government's Employment Support Scheme under the anti-epidemic fund scheme.

Administrative expenses

The administrative expenses of the Group for the years ended 31 March 2021 and 2020 were approximately HK\$116.8 million and HK\$75.0 million respectively. The increase was mainly due to the increase of directors' bonus together with increase of employee expenses, administrative expenses and professional fees after the Company's successful listing on the Main Board of the Stock Exchange on 16 October 2019, partly offset by the absence of listing expenses during the year. The Group continued to implement its budget cost control measures for administrative expenses during the year.

Finance costs

The finance costs represented primarily the interest expenses on bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$9.7 million and HK\$10.4 million for the years ended 31 March 2021 and 2020 respectively, representing approximately 0.4% and 0.6% of the Group's total revenue respectively. The decrease was mainly due to the decrease of average interest rate together with enhanced treasury management efficiency.

Profit for the year attributable to equity shareholders of the Company

The Group's profit for the year attributable to equity shareholders of the Company for the years ended 31 March 2021 and 2020 were approximately HK\$188.5 million and HK\$28.5 million respectively, representing an increase of approximately 561.4%. The increase was mainly due to the factors described above.

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

Excluding the receipt of wage subsidies from the government's Employment Support Scheme under the anti-epidemic fund scheme for the year ended 31 March 2021 and adding listing expenses for the year ended 31 March 2020, the adjusted profit attributable to equity shareholders of the Company for the years ended 31 March 2021 and 31 March 2020 amounted to approximately HK\$137.1 million and HK\$39.3 million respectively, representing an increase of HK\$97.8 million or 248.9%. The increase was mainly due to the factors described above.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through cash inflows from operating activities. As at 31 March 2021, the capital structure of the Group consisted of equity of approximately HK\$488.8 million (31 March 2020: HK\$300.2 million), bank and other borrowings of approximately HK\$60.4 million (31 March 2020: HK\$116.9 million) and lease liabilities of approximately HK\$28.9 million (31 March 2020: HK\$23.1 million).

Account receivables

As at 31 March 2021, the Group had account receivables of approximately HK\$360.2 million (31 March 2020: HK\$334.9 million). The increase was mainly due to the increase in revenue.

Cash position and fund available

During the year, the Group maintained a healthy liquidity position, with working capital being financed by operating cash flows. As at 31 March 2021, the Group's cash and cash equivalents were approximately HK\$383.7 million (31 March 2020: HK\$169.0 million). The Group pledged bank deposits of approximately HK\$24.4 million (31 March 2020: HK\$16.3 million) to secure the Group's banking facilities. As at 31 March 2021, the current ratio of the Group was approximately 1.9 times (31 March 2020: 1.6 times).

Accruals, other payables and provisions

As at 31 March 2021, the Group had total accruals, other payables and provisions of approximately HK\$323.2 million (31 March 2020: HK\$216.0 million). The increase was mainly due to the increase in accrued staff costs and provisions. This is generally in line with the increase in revenue.

Bank and other borrowings

As at 31 March 2021, the Group had total bank and other borrowings of approximately HK\$60.4 million (31 March 2020: HK\$116.9 million). As at 31 March 2021, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,570.7 million, of which approximately HK\$1,131.9 million was unutilised.

Gearing ratio

As at 31 March 2021, the Group's gearing ratio was approximately 18.3% (31 March 2020: 46.6%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. The Group's total debts include interest-bearing bank and other borrowings and lease liabilities.

Foreign currency exposure

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Capital expenditure

The Group incurred total capital expenditures of approximately HK\$68.1 million for the year ended 31 March 2021 (2020: HK\$72.9 million) for additions of property, plant and equipment and right-of-use assets, in particular motor vehicles for rendering environmental hygiene services. It was mainly funded by internal resources generated from operating activities.

Capital commitment

As at 31 March 2021, the Group had a total capital commitment of approximately HK\$5.7 million (31 March 2020: HK\$1.1 million), mainly comprising the related contracts of capital expenditure for property, plant and equipment.

Charges on the Group's assets

As at 31 March 2021 and 2020, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets and financial assets at fair value through profit or loss ("FVTPL") to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent liabilities

(a) *Performance bonds*

As at 31 March 2021, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to approximately HK\$404,399,000 (31 March 2020: HK\$285,358,000). The performance bonds were secured by pledged bank deposits, account receivables and financial assets at FVTPL and were guaranteed by the Company.

(b) Litigation

As at 31 March 2021 and 2020, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees and third parties with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$4,575,000 and HK\$1,116,000 respectively. In the opinion of the Directors, the provision of insurance deductibles had been provided for based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2021, the Group did not make any material acquisition, disposal nor hold any significant investment.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the end of reporting period.

HUMAN RESOURCES

As at 31 March 2021, the Group had over 13,000 employees (31 March 2020: over 10,000 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. In addition, the Group conducted various training activities, such as training on operational safety, office and management skills, to improve the front-end quality of services and office support during the year ended 31 March 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 3 September 2019 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong. Mr. FAN Chiu Tat Martin serves as the chairman of the Audit Committee. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee and management team had discussed and reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 March 2021.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of 7.5 Hong Kong cents (2020: Nil) per Share for the year ended 31 March 2021. Subject to the Shareholders' approval at the 2021 AGM, the final dividend will be payable on 8 October 2021 to those Shareholders whose names appear on the register of members of the Company at the close of business on 17 September 2021, being the record date for determining the entitlements to the final dividend.

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

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

CORPORATE GOVERNANCE CODE

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

During the year ended 31 March 2021, the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this annual results announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by RSM Hong Kong 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 RSM Hong Kong on this annual results announcement.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Thursday, 9 September 2021. Notice of the 2021 AGM will be published and issued to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend, speak and vote at the 2021 AGM (or at any adjournment thereof), and the eligible Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed as appropriate as set out below:

- (i) For determining the Shareholders' eligibility to attend, speak and vote at the 2021 AGM:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Thursday, 2 September 2021
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Closure of the register of members	Friday, 3 September 2021 to Thursday, 9 September 2021 (both days inclusive)
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- (ii) Subject to the passing of the proposal for distributing the final dividend at the 2021 AGM, for determining the eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Tuesday, 14 September 2021
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Record date	Friday, 17 September 2021
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Closure of the register of members	Wednesday, 15 September 2021 to Friday, 17 September 2021 (both days inclusive)
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For the above purposes, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than the aforementioned latest time.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.johnsonholdings.com and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 March 2021 will be dispatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express gratitude to the Group's management team and staff for their dedication, as well as our Shareholders, investors and business partners' support and trust. Looking ahead, we will proactively seize business opportunities and developments to maximize the returns of our Shareholders.

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

Hong Kong, 29 June 2021

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

DEFINITION

In this announcement, the following terms shall have the following meanings, unless the context otherwise requires:

“14th Five-Year Plan”	outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives Through the Year 2035
“2021 AGM”	the annual general meeting of the Company to be held on 9 September 2021
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“China”, “the PRC” or “National”	the People’s Republic of China
“Company”	Hong Kong Johnson Holdings Co., Ltd. (香港莊臣控股有限公司) (stock code: 1955), a company incorporated in the Cayman Islands as an exempted company with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange
“COVID-19”	Coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Greater Bay Area”	the Guangdong-Hong Kong-Macao Greater Bay Area comprises the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”

Holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited