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Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1955)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The board of directors (the “**Directors**”) (the “**Board**”) of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (the “**Period**”), together with the comparative figures for the corresponding period of 2021.

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2022	2021	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Revenue	1,224,108	1,514,163	(19.2%)
Gross profit	82,249	145,647	(43.5%)
Gross profit margins (%)	6.7%	9.6%	
Profit for the period attributable to the equity holders of the Company	33,909	67,431	(49.7%)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Note	Six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5	1,224,108	1,514,163
Cost of services		<u>(1,141,859)</u>	<u>(1,368,516)</u>
Gross profit		82,249	145,647
Other income	6	4,868	1,036
Other gains and losses, net		3,417	586
(Allowance)/reversal of allowance for account receivables		(660)	1,132
Administrative expenses		<u>(45,855)</u>	<u>(64,331)</u>
Profit from operations		44,019	84,070
Finance costs	7	<u>(3,230)</u>	<u>(2,832)</u>
Profit before tax		40,789	81,238
Income tax expense	8	<u>(6,880)</u>	<u>(13,807)</u>
Profit for the period	9	33,909	67,431
Other comprehensive income for the period, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the period attributable to equity holders of the Company		<u>33,909</u>	<u>67,431</u>
Earnings per share			
Basic and diluted (HK cents per share)	11	<u>6.8</u>	<u>13.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	86,819	112,183
Right-of-use assets		32,112	39,016
Financial assets at fair value through profit or loss ("FVTPL")		11,996	12,133
Deferred tax assets		1,116	837
Total non-current assets		<u>132,043</u>	<u>164,169</u>
Current assets			
Account receivables	13	578,347	413,261
Prepayments, deposits and other receivables		10,917	27,166
Inventories		482	318
Pledged bank deposits		29,369	24,806
Bank and cash balances		406,543	422,041
Total current assets		<u>1,025,658</u>	<u>887,592</u>
Current liabilities			
Account payables	14	21,801	40,328
Accruals, other payables and provisions		286,247	337,744
Dividend payable		25,000	–
Loan from a controlling shareholder		–	2,000
Bank and other borrowings	15	173,851	20,930
Lease liabilities		5,365	7,455
Current tax liabilities		13,634	4,965
Total current liabilities		<u>525,898</u>	<u>413,422</u>
Net current assets		<u>499,760</u>	<u>474,170</u>
Total assets less current liabilities		<u>631,803</u>	<u>638,339</u>

		At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Non-current liabilities			
Provisions		407	3,378
Bank and other borrowings	15	23,268	30,905
Lease liabilities		7,245	10,572
Deferred tax liabilities		11,065	12,575
		<hr/>	<hr/>
Total non-current liabilities		41,985	57,430
		<hr/>	<hr/>
NET ASSETS		589,818	580,909
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	16	5,000	5,000
Reserves		584,818	575,909
		<hr/>	<hr/>
TOTAL EQUITY		589,818	580,909
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 July 2018. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The address of its principal place of business is 11/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) is engaged in provision of cleaning, janitorial and other related services.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2022. The accounting policies (including the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2022.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in these condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2022. A number of new or amended standards are effective from 1 April 2022 but they do not have a material effect on the Group's condensed consolidated financial statements.

4. SEGMENT INFORMATION

The Group has carried on a single business, which is the provision of cleaning, janitorial and other related services in Hong Kong. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

Geographical information:

No geographical information is presented as all of the Group's business is carried out in Hong Kong and the Group's revenue from external customers is generated and non-current assets are located in Hong Kong during the period.

5. REVENUE

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements for the year ended 31 March 2022. The Group's revenue is derived from cleaning, janitorial and other related services income.

Disaggregation of revenue:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
within the scope of HKFRS 15		
Cleaning, janitorial and other related services		
income	<u>1,224,108</u>	<u>1,514,163</u>
Timing of revenue recognition		
Services transferred over time	<u><u>1,224,108</u></u>	<u><u>1,514,163</u></u>

6. OTHER INCOME

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest income	159	20
Dividend income from financial assets at FVTPL	39	50
Government subsidies from Employment Support Scheme of the Government of the Hong Kong Special Administrative Region	3,087	–
Other government subsidies (<i>note</i>)	1,583	966
	<u>4,868</u>	<u>1,036</u>

Note: The amounts represent government grants for Anti-epidemic fund received and other subsidies received from the Government of the Hong Kong Special Administrative Region (2021: government grants for eligible goods vehicles under One-off Subsidy, the ex-gratia payments for the retirement of certain motor vehicles and other subsidies received from the Government of the Hong Kong Special Administrative Region).

7. FINANCE COSTS

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	370	598
Interest on bank and other borrowings	2,849	2,206
Interest on loan from a controlling shareholder	11	28
	<u>3,230</u>	<u>2,832</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	8,669	13,146
Deferred tax	<u>(1,789)</u>	<u>661</u>
	<u>6,880</u>	<u>13,807</u>

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

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2022 and 2021.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	17,269	17,023
Depreciation of right-of-use assets	5,040	5,607
Gain on disposals/written off of property, plant and equipment, net	(3,554)	(458)
Allowance/(reversal of allowance) for account receivables	660	(1,132)
Expenses relating to short-term leases	<u>223</u>	<u>116</u>

10. DIVIDENDS

The directors do not declare any interim dividend for the six months ended 30 September 2022 (2021: Nil).

The final dividend of HK5.0 cents per ordinary share for the year ended 31 March 2022 was approved by the shareholders at the annual general meeting of the Company held on 9 September 2022 and was subsequently paid on 10 October 2022.

11. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	33,909	67,431
	2022	2021
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	500,000	500,000

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue for the six months ended 30 September 2022 and 2021.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property, plant and equipment of approximately HK\$210,000 (six months ended 30 September 2021: HK\$17,993,000).

13. ACCOUNT RECEIVABLES

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Account receivables	581,130	415,384
Allowance for account receivables	<u>(2,783)</u>	<u>(2,123)</u>
	<u>578,347</u>	<u>413,261</u>

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

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Up to 90 days	525,466	393,359
91 to 180 days	41,730	20,129
181 days to 1 year	12,535	1,456
Over 1 year	<u>1,399</u>	<u>440</u>
	<u>581,130</u>	<u>415,384</u>

14. ACCOUNT PAYABLES

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

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Up to 30 days	19,324	22,657
31 to 60 days	1,576	16,448
61 to 90 days	864	1,185
Over 90 days	37	38
	<u>21,801</u>	<u>40,328</u>

15. BANK AND OTHER BORROWINGS

	At 30 September 2022 <i>HK\$'000</i> (unaudited)	At 31 March 2022 <i>HK\$'000</i> (audited)
Factoring loans	163,093	8,779
Other borrowings	34,026	43,056
	<u>197,119</u>	<u>51,835</u>

The bank and other borrowings are repayable as follows:

	At 30 September 2022 HK\$'000 (unaudited)	At 31 March 2022 HK\$'000 (audited)
Within one year	173,851	20,930
More than one year, but not exceeding two years	10,779	12,708
More than two years, but not more than five years	<u>12,489</u>	<u>18,197</u>
	197,119	51,835
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(173,851)</u>	<u>(20,930)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>23,268</u>	<u>30,905</u>

The interest rates per annum are as follows:

	At 30 September 2022 (unaudited)	At 31 March 2022 (audited)
Factoring loans	HIBOR +1.6% to HIBOR +1.9%	HIBOR +1.65% to HIBOR +1.9%
Other borrowings	4.23% to 4.92%	4.23% to 4.92%

16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised: Ordinary shares of HK\$0.01 each		
At 31 March 2022 (audited) and 30 September 2022 (unaudited)	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid: Ordinary shares of HK\$0.01 each		
At 31 March 2022 (audited) and 30 September 2022 (unaudited)	<u>500,000,000</u>	<u>5,000</u>

17. CONTINGENT LIABILITIES

(a) Performance bonds

As at 30 September 2022 and 31 March 2022, 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\$404,854,000 (unaudited) and HK\$422,856,000 (audited), respectively. The performance bonds were secured by the Group's pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) Litigations

As at 30 September 2022 and 31 March 2022, 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\$2,420,000 (unaudited) and HK\$3,072,000 (audited), respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

18. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related party during the period:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Compliance advisor fee to a related company <i>(note 1)</i>	180	331
Interest expense paid to loan from a controlling shareholder <i>(note 2)</i>	11	28
	<u>191</u>	<u>359</u>

Note 1: The related company and the Company have the common shareholder – Zhuhai Huafa Group Company Limited.

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

	At	At
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Loan from a controlling shareholder <i>(note 2)</i>	–	2,000
Interest expense payable on loan from a controlling shareholder <i>(note 2)</i>	–	29
	<u>–</u>	<u>2,029</u>

Note 2: The controlling shareholder is Hong Kong Huafa Investment Holdings Limited.

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

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Basic salaries and allowances	7,116	9,070
Bonuses	3,256	15,908
Retirement benefit scheme contributions	466	694
	10,838	25,672

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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

The Group recorded a revenue of approximately HK\$1,224.1 million for the six months ended 30 September 2022, representing a decrease of 19.2% compared with the same period last year. The Group's overall gross profit margin decreased from approximately 9.6% to 6.7%, which was mainly due to intense market competition.

Profit attributable to equity holders of the Company decreased by approximately HK\$33.5 million or 49.7% from approximately HK\$67.4 million for the six months ended 30 September 2021 to approximately HK\$33.9 million for the six months ended 30 September 2022. Such decrease was mainly due to decrease in gross profit by approximately HK\$63.4 million from our services, which was partially offset by the decrease in administrative expenses and income tax expenses.

BUSINESS REVIEW AND PROSPECTS

During the Period, the global situation was volatile and turbulent. With the COVID-19 outbreak continuing to rampage across the world, the prospect of global economy remained challenging. Due to the geopolitical tension and persistently high inflation, the implementation of interest rate hikes and monetary tightening policy further weighed on the sluggish economy. Meanwhile, the pandemic prevention and control measures inevitably delivered a blow to the operation of enterprises in Hong Kong, and also imposed severe impact on the human resources market and cargo supply chain. Coupled with the increasing energy prices, the enterprises were faced with severe challenges in their capability in managing operation costs. Despite the challenging operation environment, overall demand for cleaning and disinfection services remained strong as a result of the increase in overall awareness of hygiene among the citizens and enterprises in Hong Kong due to the pandemic. Leveraging on the extensive experiences of our management team, the quality services provided by our frontline team and the trust of our customers, we managed to secure satisfactory renewal contracts from the non-government sector and achieve steady increase in revenue in this sector for our cleaning business amidst intense market competition from the government sector.

For our garbage logistics business, with the dedicated efforts of our specialised operation team and allocation of sufficient resources, service revenue maintained substantial growth during the Period and we have achieved the scale of business. The Group successfully maintained its leading position in securing garbage logistics contracts for the cargo terminal of the Hong Kong Airport during the Period. Meanwhile, following the successful inclusion of Johnson Environmental Company Limited, a subsidiary of the Group, into the list of service suppliers for the Food and Environmental Hygiene Department, we have secured a number of short-term contracts, achieving significant progress and expecting to further explore the government sector market in the future. Despite the continuous growth in service revenue, the profitability of the Company was negatively impacted due to the persistently high fuel price for vehicles and the gross profit margin continued to be under pressure as a result of a substantial increase in service costs, with improvement yet to be made to its profitability. Meanwhile, as the Municipal Solid Waste Charging Bill is expected to officially become effective in the second half of next year, the Group is proactively engaged in campaigns to explain this bill to its customers and to make preparation in advance.

For our distribution agency business, the Group continued to enrich our agency product catalogue as part of our efforts in providing customers with environmental hygiene products and equipment featuring innovative technology, such as fully automated smart cleaning and disinfection robots and antiviral coating services, that fully matches the needs of our customers. To strengthen the Group's competitiveness in winning the tenders, we actively introduce products with innovative technology as a value-added service to help the Group develop a high-end commercial customer base. During the Period, the Group also provided antiviral coating services for Hong Kong Cultural Centre, a number of recreation venues, universities and colleges, making contributions to the community's fight against the pandemic.

On the other hand, the Group is actively developing its professional pest management business in view of the numerous pest and rodent problems in Hong Kong. Unlike general pest control services, integrated pest management is a holistic approach to pest management using early prevention and control measures, coupled with good hygiene procedures and continuous and extensive supervision, thereby reducing the risk of potential pest infection. Meanwhile, it is also expected that new cross-selling opportunities will emerge between the new business and its existing cleaning business, and synergy will be achieved in providing services with innovative technology disinfection products of the distribution agency business.

The new government attaches great importance to environmental hygiene issues and has established its District Matters Co-ordination Task Force. Led by the Deputy Chief Secretary for Administration and with the Environment and Ecology Bureau as the main driving party, the Task Force is responsible for handling environmental hygiene and street management problems in various regions. Moreover, the Deputy Chief Secretary for Administration personally inspected the streets in various districts in Hong Kong, demonstrating the government's determination to tackle environmental hygiene problems. As one of the largest integrated environmental hygiene service providers in Hong Kong, the Group will continue to fully cooperate with the government's work plan on environmental hygiene and provide quality and comprehensive integrated environmental hygiene services, with an aim to assist the government to achieve its vision for a sustainable, green and livable Hong Kong.

Looking ahead, we will continue to maintain cleaning as the core of business, and meanwhile develop new business to enrich the Group's business structure, continue to derive innovation and bring in more talents to enhance internal management capacity. Moreover, we target to advance the Group's general business development, further establish our local market presence and expand our business to Greater Bay Area through strategic merger and acquisition, aiming to develop the Group into an integrated enterprise of smart urban cleaning services in Mainland China and Hong Kong.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2022 and 2021 were approximately HK\$1,224.1 million and HK\$1,514.2 million respectively, representing a decrease of approximately HK\$290.1 million or 19.2%. The decrease was mainly due to the decrease in revenue generated from our government customers as a result of intense market competition partially offset by the increase in revenue from the non-government sector market for our cleaning business.

Cost of services

The cost of services primarily comprised of labour costs, cleaning materials costs and motor vehicles expenses. For the six months ended 30 September 2022 and 2021, the cost of services amounted to approximately HK\$1,141.9 million and HK\$1,368.5 million respectively, representing approximately 93.3% and 90.4% of the Group's revenue for the corresponding periods respectively. The percentage of cost of services to the Group's revenue increased by approximately 2.9% mainly due to the intense competition in the market.

Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 September 2022 was approximately HK\$82.2 million, representing a decrease of approximately HK\$63.4 million or 43.5% from approximately HK\$145.6 million for the corresponding period in 2021. The decrease was mainly due to the decrease in overall revenue.

The gross profit margins of the Group for the six months ended 30 September 2022 and 2021 were approximately 6.7% and 9.6% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the intense market competition. The decrement in revenue was higher than that in the cost of services which resulted in the decrease of gross profit margin.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 September 2022 and 2021 were approximately HK\$45.9 million and HK\$64.3 million respectively, representing a decrease of HK\$18.4 million or 28.6%. The decrease was mainly due to the decrease of remuneration of management and employee expenses. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

Finance costs

The finance costs represented primarily the interest expenses on bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$3.2 million and HK\$2.8 million for the six months ended 30 September 2022 and 2021 respectively, representing approximately 0.3% and 0.2% of the Group's total revenue respectively. The slight increase was mainly due to the increase of average interest rate during the Period.

Profit for the Period attributable to equity holders of the Company

The Group's profit for the Period attributable to equity holders of the Company for the six months ended 30 September 2022 and 2021 were approximately HK\$33.9 million and HK\$67.4 million respectively, representing a decrease of HK\$33.5 million or 49.7%. The decrease was mainly due to combined effect of the factors described above.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through cash inflows from financing activities. As at 30 September 2022, the capital structure of the Group consisted of equity of approximately HK\$589.8 million (31 March 2022: HK\$580.9 million), bank and other borrowings of approximately HK\$197.1 million (31 March 2022: HK\$51.8 million) and lease liabilities of approximately HK\$12.6 million (31 March 2022: HK\$18.0 million).

Account receivables

As at 30 September 2022, the Group had net account receivables of approximately HK\$578.3 million (31 March 2022: HK\$413.3 million). The increase was mainly due to the delay in the settlement of account receivables by government sector customers. The slow settlement from our government sector customers for the Period was in line with their historical settlement pattern of which they generally settle their invoices faster near the fiscal year end of the Hong Kong Government falling in March than other periods of a year. The Group does not expect any material difficulty in collecting payment from such customers and continues to improve credit and collections management.

Cash position and fund available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by financing cash flows. As at 30 September 2022, the Group's cash and cash equivalents were approximately HK\$406.5 million (31 March 2022: HK\$422.0 million). The Group pledged bank deposits of approximately HK\$29.4 million (31 March 2022: HK\$24.8 million) to secure the Group's banking facilities. As at 30 September 2022, the current ratio of the Group was approximately 2.0 times (31 March 2022: 2.2 times).

Accruals, other payables and provisions

As at 30 September 2022, the Group had total accruals, other payables and provisions of approximately HK\$286.7 million (31 March 2022: HK\$341.1 million). The decrease was mainly due to the decrease in accrued staff costs and provision. This is generally in line with the decrease in revenue.

Bank and other borrowings

As at 30 September 2022, the Group had total bank and other borrowings of approximately HK\$197.1 million (31 March 2022: HK\$51.8 million). The increase was mainly due to the increased demand of fund from our operating activities, especially owing to the slow settlement from our government sector customers for the Period as described above. As at 30 September 2022, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$2,041.9 million, of which approximately HK\$1,474.0 million was unutilised.

Gearing ratio

As at 30 September 2022, the Group's gearing ratio was approximately 35.6% (31 March 2022: 12.4%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. The Group's total debts include interest-bearing bank and other borrowings, loan from a controlling shareholder and lease liabilities.

Foreign currency exposure

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

Capital expenditure

The Group incurred total capital expenditures of approximately HK\$0.2 million and HK\$18.0 million respectively for the six months ended 30 September 2022 and 2021 for additions of property, plant and equipment. The capital expenditure was principally incurred due to the acquisition of motor vehicles for rendering environmental hygiene service. It was mainly funded by cash generated from operating activities.

Capital Commitment

As at 30 September 2022, the Group had no capital commitment (31 March 2022: Nil).

Charges on the Group's Assets

As at 30 September 2022, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets and financial assets at fair value through profit or loss (“**FVTPL**”) to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent Liabilities

(a) Performance bonds

At 30 September 2022 and 31 March 2022, 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\$404,854,000 and HK\$422,856,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) Litigations

As at 30 September 2022 and 31 March 2022, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK\$2,420,000 and HK\$3,072,000 respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

HUMAN RESOURCES

As at 30 September 2022, the Group had over 11,000 employees (31 March 2022: over 13,000 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and reward for their contributions. In addition, the Group conducted various training activities, such as training on operational safety, office and management skills, to improve the front-end quality of services and office support during the Period.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the Period (2021: Nil).

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) as its own code of corporate governance.

Throughout the Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Company's unaudited interim condensed consolidated financial information for the Period has been reviewed by the audit committee of the Company, which currently comprises three independent non-executive Directors, namely, Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong, and by the Company's independent auditor RSM Hong Kong, certified public accountants in Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company at www.johnsonholdings.com and the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at www.hkexnews.hk. The interim report for the Period will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our shareholders, business partners, the Group’s management team and staff for their dedication.

By order of the Board
Hong Kong Johnson Holdings Co., Ltd.
XIE Hui
Chairman

Hong Kong, 29 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. NG Chun Man (Chief Executive Officer) and Dr. LI Zhuang (Vice President); the non-executive directors of the Company are Mr. XIE Hui (Chairman), Mr. JIN Liang, Mr. YAN Jun, Ms. LI Yanmei, Ms. LEE Wing Yee Loretta, Ms. WONG Ling Fong Lisa and Mr. ZHOU Wenjie; and the independent non-executive directors of the Company are Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan, Mr. HONG Kam Le, Mr. LEUNG Siu Hong and Ms. RU Tingting.