



**Hong Kong Johnson Holdings Co., Ltd.**

**香港莊臣控股有限公司**

(A company incorporated in the Cayman Islands with limited liability)

Stock Code : 1955

**2022/23**

ANNUAL REPORT



**Guard Your Health Go Green with Smart City**



# Contents

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	7
Directors and Senior Management	12
Corporate Governance Report	21
Report of the Directors	40
Independent Auditor's Report	53
Consolidated Statement of Profit or Loss and Other Comprehensive Income	58
Consolidated Statement of Financial Position	59
Consolidated Statement of Changes in Equity	61
Consolidated Statement of Cash Flows	62
Notes to the Consolidated Financial Statements	64
Five Year Financial Summary	124
Definitions	125



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. NG Chun Man (*Chief Executive Officer*)

Dr. LI Zhuang (*Vice President*)

### Non-executive Directors

Mr. XIE Hui (*Chairman*)

Mr. JIN Liang

Mr. YAN Jun

Ms. LI Yanmei

Ms. LEE Wing Yee Loretta

Ms. WONG Ling Fong Lisa

Mr. ZHOU Wenjie

### Independent non-executive Directors

Mr. FAN Chiu Tat Martin

Dr. GUAN Yuyan

Mr. HONG Kam Le

Mr. LEUNG Siu Hong

Ms. RU Tingting

## BOARD COMMITTEES

### Audit Committee

Mr. FAN Chiu Tat Martin (*Chairman*)

Ms. RU Tingting

Mr. LEUNG Siu Hong

### Remuneration Committee

Mr. LEUNG Siu Hong (*Chairman*)

Dr. GUAN Yuyan

Ms. RU Tingting

### Nomination Committee

Ms. RU Tingting (*Chairman*)

Dr. GUAN Yuyan

Mr. HONG Kam Le

## AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. NG Chun Man

Dr. LI Zhuang

## COMPANY SECRETARY

Dr. LI Zhuang



## Corporate Information

### LEGAL ADVISERS

*As to Hong Kong law*

Bird & Bird

*As to Cayman Islands law*

Harney Westwood & Riegels

### COMPLIANCE ADVISER

Huajin Corporate Finance (International) Limited

### INDEPENDENT AUDITOR

RSM Hong Kong

*Certified Public Accountants, Hong Kong*

### PRINCIPAL BANKERS

Hang Seng Bank Limited

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking  
Corporation Limited

### REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F China Aerospace Centre

No. 143 Hoi Bun Road

Kwun Tong

Kowloon, Hong Kong

### CAYMAN ISLANDS PRINCIPAL REGISTRAR OFFICE

Harneys Fiduciary (Cayman) Limited

3rd Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

### STOCK CODE

1955

### WEBSITE

[www.johnsonholdings.com](http://www.johnsonholdings.com)



# Chairman's Statement

## DEAR SHAREHOLDERS,

On behalf of Hong Kong Johnson Holdings Co., Ltd. and its subsidiaries and the board of directors, I am delighted to present the annual results for the year ended 31 March 2023 (the “Year” or “Review Year”).

## MARKET REVIEW

During the Review Year, Hong Kong experienced the fifth wave of COVID-19 pandemic. At the same time, the global situation was volatile, and the prospect of global economy remained challenging. With the geopolitical tensions and high inflation, various countries raised interest rates which further combat against 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, enterprises were faced with severe challenges in their capability in managing operation costs. Despite the challenging operation environment, the Group remains dedicated to serving its customers and strives to improve its professional service standards in providing various types of customised quality environmental hygiene services to a wider range of customers.



## Results Review

During the Review Year, the Group recorded a revenue of approximately HK\$2,280.2 million, compared with HK\$2,979.0 million for the year ended 31 March 2022, representing a decrease of approximately 23.5%. Profit for the Year amounted to approximately HK\$30.6 million, compared with HK\$129.6 million for the year ended 31 March 2022, representing a decrease of approximately 76.4%. The Group recorded gross profit of approximately HK\$126.4 million, compared with HK\$286.3 million for the year ended 31 March 2022, representing a decrease of approximately 55.8%. The decrease in revenue and profit was mainly attributable to (i) the decrease in revenue generated from our government customers as a result of intense market competition during the Year; and (ii) the additional costs incurred upon completion of certain contracts with government customers.

## Chairman's Statement



### Expanding Businesses Step by Step

In respect of cleaning business, as the Group's core business, leveraging on the extensive experiences of our management team, the quality services provided by our frontline team and the trust of our customers, we achieved growth in the commercial sector market for our cleaning business amidst the intense market competition in the government sector. The Group is actively building a high-end commercial sector team and is fully committed to exploring new fields. After the Review Year, we have successfully made breakthrough progress and won the cleaning contract in relation to the provision of cleaning services for the largest landmark shopping mall in the East Kowloon district. Meanwhile, to seize development opportunities in Mainland China, the Group is actively seeking appropriate environmental hygiene enterprises in Mainland China for merger and acquisition. Our goal is to facilitate the rapid expansion of the Group into Mainland China market and serve as a base for the Group to develop its business in Mainland China, thereby gradually expanding its business to the whole country.

Serving as a downstream business to cleaning business, the garbage logistics business therefore has synergy effect with the Group's core business. During the Review Year, the Group successfully maintained its leading position in garbage logistics services for the cargo terminal of the Hong Kong airport and, after the Review Year, successfully obtained a five-year contract for waste collection services for government in Tai Po district for the first time in the name of the Group's subsidiary, Johnson Environmental Company Limited, which was a significant milestone. The Group is confident that the garbage logistics business will continue to develop steadily.

The distribution agency business primarily introduces products with innovative technology and automated machinery for the Group on an ongoing basis to assist the optimization of the service quality of cleaning business, enhance efficiency and maintain stable profitability. Meanwhile, we will build a technology smart image for the Group so as to assist the Group keep up with the times and maintain its industry leadership under the megatrend of technicalization in the environmental hygiene industry in the future.

The Group has been moving towards business diversification and established a new subsidiary, Johnson Professional Services Company Limited, during the Review Year, providing professional pest management services to commercial, government and housing customers. 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.

### Our Premium Brands Are Recognized By All Walks Of Life

We believe that the success of enterprises and brands requires us to undertake corresponding social responsibilities, protect the environment and promote sustainable development apart from our aim for business expansion. Therefore, while enhancing the competitiveness of the Group, we also focus on responsible operations, reducing carbon footprint and caring for frontline staff team. We are honoured to receive the "Supreme Brand of Green & Smart Environmental Hygiene Service Provider Award" of the "Supreme Brand Awards" organized by the financial magazine "CAPITAL Magazine", which is a recognition of our brand by all walks of life.



## Chairman's Statement

### PROSPECTS

Looking ahead, the global and local economies are expected to continue to fluctuate, which will continue to bring challenges to the operations of enterprises. To cope with the fierce industry competition, the Group plans to apply measures such as internal resources deployment as well as strategic merger and acquisition in Mainland China and Hong Kong, to further consolidate the basis of core cleaning business and speed up the development of new businesses, thereby optimizing the Group's overall business structure. In respect of operation and management, we focus on improving corporate governance and internal control, strengthening the implementation and application of information technology, exercising stringent cost control and enhancing operational efficiency, with the goal to drive the Group's overall profit growth. On the other hand, in order to seize the opportunity of China's development, the Group will actively seek development opportunities in the Greater Bay Area and gradually expand its business from Hong Kong to Mainland China, with an aim to become a Greater Bay Area-based leading environmental hygiene service provider in China.

### APPRECIATION

At last, 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.

**XIE Hui**

*Chairman*

Hong Kong, 29 June 2023

# 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\$2,280.2 million for the year ended 31 March 2023, representing a decrease of 23.5% compared with that of last year. The Group's overall gross profit margin decreased from approximately 9.6% to 5.5%. Profit for the year decreased by approximately HK\$99.0 million or 76.4% from approximately HK\$129.6 million for the year ended 31 March 2022 to approximately HK\$30.6 million for the year ended 31 March 2023. The decrease in revenue and profit was mainly attributable to (i) the decrease in revenue generated from our government customers as a result of intense market competition during the Year; and (ii) the additional costs incurred upon completion of certain contracts with government customers.

## BUSINESS REVIEW AND PROSPECTS

During the Review Year, Hong Kong experienced the fifth wave of COVID-19 pandemic. The weakened economy has caused various industries to face different operating difficulties, leading to some participants which were originally not in the government cleaning service market to shift their focuses to the government customer market, which intensified the competition. The Group is actively recruiting talents to build a high-end commercial sector team to expand the sources of income in the intense competitive government market. After the Review Year, we have successfully made breakthrough progress and won the contract in relation to the provision of cleaning services for the largest landmark shopping mall in the East Kowloon district.

For the garbage logistics business, with the dedicated efforts of our specialised operation team and allocation of sufficient resources, service revenue maintained substantial growth during the Review Year. The Group successfully maintained its leading position in garbage logistics services for the cargo terminal of the Hong Kong Airport during the Review Year and, after the Review Year, successfully obtained a five-year contract for waste collection services for government in Tai Po district for the first time in the name of the Group's subsidiary, Johnson Environmental Company Limited, which was a significant milestone for the subsidiary's further development in the government customer market in the future. Despite the continuous growth in services revenue, the profitability 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 situation. Meanwhile, as the Municipal Solid Waste Charging Bill is expected to officially become effective in the second half of 2023, the Group is proactively explaining this bill to its customers so as 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. During the Review Year, the Group also provided antiviral coating services for Hong Kong Cultural Centre, a number of recreation venues, universities and colleges, to contribute to the community's fight against the pandemic.





## Management Discussion and Analysis

On the other hand, the Group has established a new subsidiary, Johnson Professional Services Company Limited, during the Review Year, which focused on 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.

Looking ahead, it is expected that the number of properties in Hong Kong will continue to grow, the public transportation system will constantly develop, and the environmental and hygiene services market will continue to expand in the foreseeable future. The Group is committed to maintaining steady growth of our overall business and constantly exploring innovation. We will continue to maintain cleaning as our core business, and, at the same time, develop new businesses to enrich the Group's business structure, continue to 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 the 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 years ended 31 March 2023 and 2022 were approximately HK\$2,280.2 million and HK\$2,979.0 million respectively, representing a decrease of approximately HK\$698.8 million or 23.5%. The decrease was mainly due to the decline in revenue generated from our government customers because of recent intensive market competition. On the other hand, the Group reported a considerable growth in non-government customers 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 years ended 31 March 2023 and 2022, the cost of services amounted to approximately HK\$2,153.8 million and HK\$2,692.7 million respectively, representing approximately 94.5% and 90.4% of the Group's revenue for the corresponding years respectively. The percentage of cost of services to the Group's revenue increased by approximately 4.1% mainly due to the keen market competition and an overall increase in labour costs upon the completion of certain contracts with government customers.

#### Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2023 was approximately HK\$126.4 million, representing a decrease of approximately HK\$159.9 million or 55.8% from approximately HK\$286.3 million for the year ended 31 March 2022. The decrease was mainly due to the decline in overall revenue and the additional costs incurred upon completion of certain contracts with government customers.

The gross profit margins of the Group for the years ended 31 March 2023 and 2022 were approximately 5.5% and 9.6% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the intense market competition coupled with increasing labour costs. Therefore, the decrement in revenue was higher than that in cost of services which resulted in the decrease of gross profit margin.

# Management Discussion and Analysis



## Administrative expenses

The administrative expenses of the Group for the years ended 31 March 2023 and 2022 were approximately HK\$91.7 million and HK\$127.5 million respectively, representing a decrease of approximately HK\$35.8 million or 28.1%. The decrease was mainly due to the decrease in management remuneration and employee expenses. 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\$6.9 million and HK\$6.9 million for the years ended 31 March 2023 and 2022 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 Year.

## Profit for the year attributable to equity holders of the Company

The Group's profit for the year attributable to equity holders of the Company for the years ended 31 March 2023 and 2022 were approximately HK\$30.6 million and HK\$129.6 million respectively, representing a decrease of approximately HK\$99.0 million or 76.4%. 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 operating activities. As at 31 March 2023, the capital structure of the Group consisted of equity of approximately HK\$586.5 million (31 March 2022: HK\$580.9 million), bank and other borrowings of approximately HK\$28.3 million (31 March 2022: HK\$51.8 million), lease liabilities of approximately HK\$15.8 million (31 March 2022: HK\$18.0 million) and loan from a controlling shareholder of nil (31 March 2022: HK\$2.0 million).

## Account receivables

As at 31 March 2023, the Group had net account receivables of approximately HK\$340.4 million (31 March 2022: HK\$413.3 million) which decreased in line with the decrease in revenue. The Group does not expect any material difficulty in collecting payment from such customers and will continue to improve credit and collections management.

## Cash position and fund available

During the year ended 31 March 2023, the Group maintained a healthy liquidity position, with working capital being financed by operating cash flows. As at 31 March 2023, the Group's cash and cash equivalents were approximately HK\$455.0 million (31 March 2022: HK\$422.0 million). The Group pledged bank deposits of approximately HK\$29.6 million (31 March 2022: HK\$24.8 million) to secure the Group's banking facilities. As at 31 March 2023, the current ratio of the Group was approximately 2.5 times (31 March 2022: 2.2 times).



## Management Discussion and Analysis

### Accruals, other payables and provisions

As at 31 March 2023, the Group had total accruals, other payables and provisions of approximately HK\$281.0 million (31 March 2022: HK\$341.1 million). The decrease was mainly due to the decrease in accrued staff costs and provision which was in line with the decrease in revenue.

### Bank and other borrowings

As at 31 March 2023, the Group had total bank and other borrowings of approximately HK\$28.3 million (31 March 2022: HK\$51.8 million). As at 31 March 2023, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,935.0 million, of which approximately HK\$1,596.2 million was unutilised.

### Gearing ratio

As at 31 March 2023, the Group's gearing ratio was approximately 7.5% (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\$1.6 million and HK\$26.6 million respectively for the years ended 31 March 2023 and 2022 for additions of property, plant and equipment. The capital expenditure was incurred primarily 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 31 March 2023, the Group had no capital commitment (31 March 2022: nil).

### Charges on the Group's Assets

As at 31 March 2023 and 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") with an aggregate carrying amount of HK\$84.4 million (31 March 2022: HK\$114.7 million) to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

# Management Discussion and Analysis



## Contingent Liabilities

### (a) Performance bonds

At 31 March 2023, 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\$338,766,000 (2022: HK\$422,856,000). 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) Litigation

As at 31 March 2023, 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\$4,303,000 (2022: HK\$3,072,000). In the opinion of the directors of the Company, 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 2023, the Group did not make any material acquisition and disposal nor hold any significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, the Group has no specific plan for material investments or capital assets as at 31 March 2023.

## EVENTS AFTER THE REPORTING PERIOD

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

## HUMAN RESOURCES

As at 31 March 2023, the Group had over 7,400 employees (31 March 2022: over 13,000 employees). The decrease in the number of the employees of the Group were mainly attributable to (i) certain long-term contracts of the Company were completed during the Review Year; and (ii) the decrease in the number of the temporary workers employed by the Group for engaging in cleaning services for the vaccination centres and other venues etc. set up by the government in various districts of Hong Kong given that the situation of COVID-19 pandemic has been gradually stabilised in Hong Kong during the Review Year. 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 year ended 31 March 2023.



# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. NG Chun Man (“Mr. Ng”)**, aged 57, was appointed as an executive Director on 1 April 2022 and as the chief executive officer of the Company on 1 July 2022. Mr. Ng joined the Group as the executive president on 13 January 2020. He is mainly responsible for overseeing strategic planning, business development and operation of the Group. He has been a director of certain subsidiaries of the Company.

Mr. Ng has over 13 years of experience holding senior management positions in various listed companies in Hong Kong. Prior to joining the Company, he was a director of ancillary business in Synergis Management Services Limited, a subsidiary of ISP Holdings Limited (formerly known as Synergis Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 02340), from 2016 to 2018. Mr. Ng was an associate director of Sino Property Services, the property management group of companies of Sino Land Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 083) from 2012 to 2015, and a director and general manager of Best Result Environmental Services Limited, a subsidiary of Sino Land Company Limited from 2008 to 2015. In his previous positions as senior management of listed companies, Mr. Ng was responsible for formulating and implementing business strategies and long term corporate planning, as well as corporate policies and standard operation procedures to strengthen corporate governance.

Mr. Ng obtained a Bachelor of Social Sciences Degree from The University of Hong Kong in 1989. He was awarded Professional Diploma in Real Estate Administration by The University of Hong Kong School of Professional and Continuing Education in November 2000, HKSI Practising Certificates in Securities, Corporate Finance and Asset Management by Hong Kong Securities Institute in June 2007 and Pearson BTEC Level 4 HNC Diploma in Construction and the Built Environment (Civil Engineering) (QCF) by Pearson Education Ltd. in June 2018. Mr. Ng is a licensed estate agent in Hong Kong.

## Directors and Senior Management



**Dr. Li Zhuang (“Dr. Li”)**, aged 44, was appointed as an executive Director and vice president of the Company on 1 April 2022. Dr. Li was appointed as the joint company secretary of the Company on 3 September 2019 and has been the company secretary of the Company since 26 October 2022. He is mainly responsible for overseeing the functions of investment development, corporate governance and investor relations of the Group. Dr. Li has been the company secretary of an indirectly wholly-owned subsidiary of the Company, Johnson Cleaning Services Company Limited (“**Johnson Cleaning**”), since June 2016, mainly responsible for general company secretarial affairs. He has been a director of certain subsidiaries of the Company.

Dr. Li has served as a deputy general manager of the capital operations division of Zhuhai Huafa Group Company Limited (珠海華發集團有限公司) (“**Zhuhai Huafa**”, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and a controlling shareholder of the Company) since April 2018 and also a deputy general manager of overseas direct business management division of Zhuhai Huafa since October 2021 and was promoted to general manager of overseas direct business management division of Zhuhai Huafa since April 2022. He has been a deputy general manager of the capital operations and merger division of Zhuhai Huafa in December 2015, where he was responsible for the company’s capital operations and investment and mergers and acquisitions. Dr. Li has also served as a deputy general manager of the capital markets division of Zhuhai Huafa Investment Holdings Group Co., Ltd. (珠海華發投資控股集團有限公司) (“**Huafa Investment Holdings Group**”) since November 2015.

Dr. Li completed all program-required courses of Global Financial Management DBA program co-organized by Shanghai Advanced Institute of Finance (SAIF), which was established at Shanghai Jiao Tong University, and WP Carey School of Business of Arizona State University, U.S.A (“**ASU**”), in May 2021 and he was awarded a degree of Doctor of Business Administration in Global Financial Management from ASU.

Dr. Li obtained a board secretary for listed companies qualification from Shenzhen Stock Exchange in February 2023.

Both Mr. Ng and Dr. Li are also senior management of the Company.



## Directors and Senior Management

### Non-executive Directors

**Mr. XIE Hui (“Mr. Xie”)**, aged 42, was appointed as a Director on 9 July 2018, redesignated as a non-executive Director on 24 January 2019 and appointed as the chairman of the Board on 6 June 2022. He has been a director of certain subsidiaries of the Company.

Mr. Xie has served as a non-executive director of Beijing Digital Telecom Co., Ltd., a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6188), since 10 September 2021. He served as an executive director of Huafa Property Services Group Company Limited (華發物業服務集團有限公司) (“**Huafa Property Services**”), a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 982) and a controlling shareholder of the Company, from 17 June 2022 to 19 April 2023. Mr. Xie has been the chief strategic operating officer of Zhuhai Huafa since April 2020, and served as the board secretary of Zhuhai Huafa since June 2017. He served as the strategy director of Huafa Investment Holdings Group from July 2017 to March 2020, where he was responsible for strategic planning. He served as the board secretary and the general manager of the strategic innovation department of Huafa Investment Holdings Group from September 2012 to July 2017 and from September 2012 to May 2018 respectively.

Mr. Xie has been a director of Zhuhai Urban Construction Group Co., Ltd. (珠海城市建設集團有限公司) since May 2020. He was the deputy general manager of Zhuhai Huafa Group Science and Technology Research Institute Co., Ltd.\* (珠海華發集團科技研究院有限公司) (“**Huafa Research Institute**”) from September 2020 to October 2021 and was promoted to the executive director and general manager of Huafa Research Institute since October 2021.

Mr. Xie graduated from the University of Science and Technology of China in the PRC with a bachelor degree of management in July 2003, and obtained a master's degree in Financial Markets and Intermediaries from the Université Toulouse 1 Sciences Sociales in France in November 2009. Mr. Xie also obtained a professional qualification of intermediate level in finance issued by the Guangdong Provincial Human Resources and Social Security Department in February 2012.

\* for identification purpose only

## Directors and Senior Management



**Mr. JIN Liang (“Mr. Jin”)**, aged 40, was appointed as a non-executive Director on 6 June 2022. He has been a director of Johnson Cleaning and Johnson Investment Holding Co., Ltd. (“**Johnson Investment**”, a direct wholly-owned subsidiary of the Company) since 6 June 2022.

Mr. Jin has served as the deputy chief treasury officer and the chief of the capital management centre of Zhuhai Huafa since June 2018 and April 2020 respectively, where he is responsible for overseeing and monitoring the company’s fund management and capital financing.

Mr. Jin joined Zhuhai Huafa as the deputy general manager of fund management division in August 2014, where he was involved in the company’s fund management and operations. From October 2017 to June 2018, Mr. Jin served as the general manager of fund management division of Zhuhai Huafa. From June 2018 to April 2020, Mr. Jin served as the general manager of the fund operation and management division and the supply chain finance and management division of Zhuhai Huafa.

Apart from his positions held in Zhuhai Huafa, Mr. Jin is also the director of Zhuhai Huafa Trading Holdings Co., Ltd.\* (珠海華發商貿控股有限公司), Zhuhai Huafa Group Finance Co., Ltd\* (珠海華發集團財務有限公司) (“**Zhuhai Huafa Finance**”) and Zhuhai Urban Construction Group Co., Ltd.\* (珠海城市建設集團有限公司). Prior to joining Zhuhai Huafa, Mr. Jin was the general manager of the business department of Industrial Bank Co., Ltd. (Zhuhai Branch) from December 2010 to August 2014. He was the general manager of six business departments of Guangdong Nanyue Bank (Guangzhou Branch) from June 2009 to December 2010.

Mr. Jin has obtained a graduate certificate of self-study examinations of Tertiary Education in the Laws of International Economics from Zhongnan University of Economics and Law (中南財經政法大學).

**Mr. YAN Jun (“Mr. Yan”)**, aged 41, was appointed as a non-executive Director on 6 June 2022. He has been a director of Johnson Cleaning and Johnson Investment since 6 June 2022.

Mr. Yan has served as the deputy chief financial officer and the chief of financial management centre and the general manager of the financial accounting division of Zhuhai Huafa and the director of Zhuhai Huafa Finance since May 2021.

Mr. Yan joined Zhuhai Huafa in March 2015. From January 2017 to May 2021, he served as the project manager of finance division, the general manager assistant of financial management division, the general manager of management accounting division and the deputy chief of financial management centre of Zhuhai Huafa.

Prior to joining Zhuhai Huafa, Mr. Yan served in PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd. (Beijing Branch) and Sinochem Oil Co., Ltd.\* (中化石油有限公司).

Mr. Yan obtained a graduate certificate related to a certified public accountant in Accounting Professional with Central University of Finance and Economics (中央財經大學) in 2003 and obtained a Master of Business Administration from School of Economics and Management, Tsinghua University (清華大學經濟管理學院) in 2015.

\* for identification purpose only





## Directors and Senior Management

**Ms. LI Yanmei (“Ms. Li”)**, aged 51, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. Li has been a director of Johnson Cleaning since 25 September 2015 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Li has been the chairman of the board and general manager of Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司) (which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, a controlling shareholder of the Company and a wholly-owned subsidiary of Zhuhai Huafa), since September 2014, where she is responsible for overall management and day-to-day operations. Ms. Li also worked for Huafa Property Services as a joint company secretary from July 2014 to July 2017 and served as its sole company secretary from July 2017 to June 2019, responsible for general company secretarial affairs.

Prior to joining Zhuhai Huafa, Ms. Li served at PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) (“**PICC**”) from July 1992 to July 2013, where she was eventually promoted to the officer-in-charge of the bank insurance department of the Guangdong branch of PICC, where she was responsible for banking insurance business development planning for Guangdong province.

Ms. Li obtained a Bachelor of Science from Sun Yat-sen University in the PRC in July 1992, completed a postgraduate certificate in political economic science (政治經濟學) from the Guangdong Academy of Social Sciences in the PRC in August 2000, and obtained a Master of Business Administration from the Macau University of Science and Technology in Macau in August 2007. In October 1996, she obtained a certificate issued by Ministry of Personnel of the PRC for her professional qualification of intermediate level in economics of insurance.

**Ms. LEE Wing Yee Loretta**, aged 48, was appointed as a Director on 9 July 2018 and was re-designated as a non-executive Director on 24 January 2019. Ms. LEE Wing Yee Loretta has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. LEE Wing Yee Loretta has been an executive director and the chairlady of Canvest Environmental Protection Group Company Limited (“**Canvest Environmental**”, a controlling shareholder of the Company and a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1381)), since 2014. She is mainly responsible for formulating overall strategies, and making major corporate and operational decisions of Canvest Environmental. Ms. LEE Wing Yee Loretta worked in the finance and human resources department of a private company from 1997 to 2012. Ms. LEE Wing Yee Loretta is a director of each of Canvest Environmental (China) Company Limited, Best Approach Developments Limited, Yi Feng Development Limited, Century Rise Development Limited and Harvest Vista Company Limited, each of which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and each of which is a controlling shareholder of the Company.

Ms. LEE Wing Yee Loretta obtained a higher diploma in public administration and management from the City University of Hong Kong in 1997 and obtained a degree of master of Business Administration (Executive) from the City University of Hong Kong in 2022.

## Directors and Senior Management



**Ms. WONG Ling Fong Lisa (“Ms. Wong”)**, aged 49, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. Wong has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Wong is the chief financial officer and company secretary of Canvest Environmental. Ms. Wong is primarily responsible for the financial management of the group. Prior to joining Canvest Environmental, she was in charge of the investment department of a private company and was also a financial controller from 2005 to 2012. She worked at KPMG from 1998 to January 2004 and her last position held was a manager.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She graduated from The Hong Kong Polytechnic University in 1998 with a degree of bachelor of arts in accountancy.

**Mr. ZHOU Wenjie (“Mr. Zhou”)**, aged 43, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Zhou has been a director of Johnson Cleaning since 7 May 2018. Mr. Zhou has also been a director of Johnson Investment since its incorporation on 10 August 2018.

Mr. Zhou served as deputy general manager of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited\* (粵豐粵展環保投資(廣東)有限公司), an indirect wholly-owned subsidiary of Canvest Environmental, from April 2018 to December 2020, where he was responsible for business development and day-to-day management. Mr. Zhou also served as the deputy general manager of the administrative department in Dongguan Water Investment Group Co. Ltd., a company primarily engaged in water-services related project investment, from November 2016 to March 2017, and served as the deputy general manager of the administrative department and director of the communist party group (黨群辦主任) from April 2017 to October 2017. He was then promoted to the general manager of the administrative department from November 2017 to March 2018. During his course of employment, he was mainly responsible for group strategic management and administrative management. Mr. Zhou worked as an officer in the general office of Dongguan Water Authority\* (東莞市水務局辦公室), water service administration department of Dongguan City, from August 2013 to October 2014, and was promoted to deputy office director from November 2014 to November 2016, mainly responsible for daily operations, secretarial, administrative, and external publicity work. He also worked as an officer in Economic Crime Investigation Division of the Dongguan Public Security Bureau from August 2002 to July 2013, mainly responsible for carrying out investigations in relation to major economic crimes.

Mr. Zhou obtained a Bachelor of Laws from the Criminal Investigation Police University of China in the PRC in July 2002.

\* for identification purpose only



## Directors and Senior Management

### Independent non-executive Directors

**Mr. FAN Chiu Tat Martin (“Mr. Fan”)**, aged 56, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Audit Committee of the Company.

Mr. Fan joined Luks Group (Vietnam Holdings) Company Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 366) in August 1991 and currently serves as executive director, company secretary and financial controller of the company. He obtained a Bachelor of Social Sciences from The University of Hong Kong in December 1989.

Mr. Fan became a fellow member of the Association of Chartered Certified Accountants in April 1998 and an associate member of the Hong Kong Institute of Certified Public Accountants in February 1994.

**Dr. GUAN Yuyan (“Dr. Guan”)**, aged 48, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is also a member of the Nomination Committee and the Remuneration Committee of the Company.

Dr. Guan joined the City University of Hong Kong as an academic visitor in August 2006. She has served as associate professor since July 2015 and resigned in July 2021. She has served a tenured associate professor of College of Business (Nanyang Business School), Nanyang Technological University, Singapore since 10 August 2021.

Dr. Guan obtained a Bachelor of Economics from Xiamen University in the PRC in July 1996. She then obtained a Master in Business Administration from the University of Miami in the United States in May 1999, and further obtained a Doctor of Philosophy in Accounting from the University of Toronto in Canada in November 2006.

Dr. Guan became a member of CPA Australia in 2016.

## Directors and Senior Management



**Mr. HONG Kam Le (“Mr. Hong”)**, aged 43, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also a member of the Nomination Committee of the Company.

Mr. Hong has served as company secretary and authorised representative under Rule 3.05 of the Listing Rules (the “**Authorised Representative**”) of UJU HOLDING LIMITED, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1948) since 31 October 2022.

Mr. Hong was the company secretary and Authorised Representative of Kidztech Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6918) from 21 July 2022 to 23 February 2023.

Mr. Hong has served as the company secretary, authorised representative pursuant to Rule 5.24 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) and process agent to accept service of process and notice on behalf of Dadi International Group Limited (“**Dadi International**”, a company the shares of which are listed on GEM of the Stock Exchange (stock code: 8130)) in Hong Kong as required under Rule 24.05(2) of the GEM Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Process Agent**”) of Dadi International since 5 March 2022 and has acted as another joint company secretary of Dadi International with effect from 1 April 2022. He has resigned as the joint company secretary, authorised representative under GEM Listing Rules and Process Agent of Dadi International with effect from 28 February 2023.

Mr. Hong was the company secretary and Authorised Representative of Shengli Oil & Gas Pipe Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1080) from December 2013 to June 2021, and was the joint company secretary of Jujiang Construction Group Co., Ltd., a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1459) from September 2015 to July 2020.

Mr. Hong was admitted as a solicitor in Hong Kong in September 2007 and has more than 15 years’ experience in the legal industry. Mr. Hong is a partner of DeHeng Law Offices (Hong Kong) LLP (former name: Chung’s Lawyers in association with DeHeng Law Offices) since November 2018 and previously served as a partner of Li & Partners from February 2016 to October 2018.

Mr. Hong obtained a bachelor of commerce and a bachelor’s degree in laws from the University of Sydney in June 2003 and May 2004 respectively, and a postgraduate certificate in laws from The University of Hong Kong in June 2005.



## Directors and Senior Management

**Mr. LEUNG Siu Hong (“Mr. Leung”)**, aged 47, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Leung has over 25 years of experience in the areas of accounting, auditing and company secretarial work. Mr. Leung has served as the financial controller and company secretary of China Starch Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3838) since February 2008. Mr. Leung is an independent non-executive director of A. Plus Group Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1841) since 23 March 2016.

Mr. Leung obtained a designated degree of Master of Arts in Accountancy from the University of Aberdeen in Scotland, the United Kingdom in October 1997. He also obtained a Master of Corporate Governance from the Hong Kong Polytechnic University in October 2011 and a Master of Science in Financial Analysis from The Hong Kong University of Science and Technology in June 2014. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2010 and Association of Chartered Certified Accountants since May 2007. Mr. Leung is also a fellow member of both the Chartered Governance Institute, U.K. and the Hong Kong Chartered Governance Institute since July 2013.

**Ms. RU Tingting (“Ms. Ru”)**, aged 48, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is the chairwoman of the Nomination Committee of the Company and is also a member of the Audit Committee and the Remuneration Committee of the Company.

Ms. Ru is an independent non-executive director of Vixtel Technologies Holdings Limited, a company the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1782) since 7 April 2022.

From February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director and then as the director of the Department of Listed Company Supervision. Ms. Ru has been a managing partner of Beijing Yongxing Law Firm since September 2018.

Ms. Ru obtained a Bachelor of Laws from China University of Political Science and Law in July 1995 and a Master of Laws from Renmin University of China in June 2001.

# Corporate Governance Report



The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 March 2023.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the year ended 31 March 2023, the Company has complied with all applicable code provisions as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for Directors in their dealings in the securities of the Company. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the requested standards set out in the Model Code throughout the year ended 31 March 2023.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the guidelines by the employees was noted by the Company.



# Corporate Governance Report

## OBJECTIVE, VALUE, STRATEGY AND CULTURE

With the motto of “Being Faithful in Word and Keeping Promise”, the core objective of the Company is to seek more returns for its Shareholders and strive to become a “leading environmental hygiene services provider with roots in the Greater Bay Area that serves the whole country”. The Company is committed to its missions of “Guard Your Health, Go Green with Smart City” and to implementing its values of ‘Good Entrepreneurship, Active and Sustainable Development Operation, and Innovation’. The Company actively assumed its responsibilities to the employees, customers, Shareholders, the society and the environment. Such objective and value also determine the Company’s strategy to pursue the goal of becoming the “leading environmental hygiene services provider in the PRC”, so as to create value for the Shareholders. The objective, value and strategy of the Company are the foundation of the Company’s corporate culture. Centering on upholding high ethical standards and practices, the Company’s corporate culture aims to achieve sustainable development and strives to create greater value for the Group, at the same time seeking more returns for the Shareholders.

The Board regularly reviews the Company’s financial position, strategic development and progress, evaluates business and operations and provides feasible improvement directions, when appropriate, then conducts risk assessments in order to promote business development and to ensure that goals, strategies, and business models are consistent with its values. At the same time, the Board also conveys messages about corporate culture to all employees through the management.

The management plays an important role in achieving goals and conducting daily business. It applies the management system of service quality, environment and occupational safety and health in daily management to achieve economic, social and environmental benefits. The management sets a role model in the work team, collects opinions from employees at all levels through executive meetings, various forms of gatherings, questionnaire surveys, or different forms of communication channels, and provides regular trainings or technical trainings for employees to ensure that corporate strategy is progressively reflected in the desired culture. In addition, the management continues to instil and promote the following company values to employees through various means:

<b>Entrepreneurship</b>	<b>Active and Sustainable Development Operation</b>	<b>Innovation</b>
To be of one mind	To be people-oriented	Keeping pace with the times
To be honest and responsible	Customer focus	Creative thinking
Mutual respect	Caring for employees	Learning from multiple sources
Mutual trust	Strengthening training	Improving quality
Inclusion	Enhancing management system	
Close communication	Resource sharing	
	Social responsibility	

The Company insists on maintaining business ethics and probity, operates its business with the principles of honesty, fairness and integrity, formulates a code of conduct for all employees and coordinates its goals and strategies through different policies, and encourages employees to report failure of control or suspected improper control. Appropriate action will be taken as soon as possible in the event of a report. Employees at all levels are held accountable for their actions.

# Corporate Governance Report



## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Group and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

The Board currently comprises fourteen Directors, consisting of two executive Directors, seven non-executive Directors and five independent non-executive Directors as follows:

#### *Executive Directors*

Mr. NG Chun Man  
Dr. LI Zhuang

#### *Non-executive Directors*

Mr. XIE Hui (*Chairman*)  
Mr. JIN Liang  
Mr. YAN Jun  
Ms. LI Yanmei  
Ms. LEE Wing Yee Loretta  
Ms. WONG Ling Fong Lisa  
Mr. ZHOU Wenjie

#### *Independent non-executive Directors*

Mr. FAN Chiu Tat Martin  
Dr. GUAN Yuyan  
Mr. HONG Kam Le  
Mr. LEUNG Siu Hong  
Ms. RU Tingting





## Corporate Governance Report

### *Change of Directors during the year ended 31 March 2023:*

Mr. NG Chun Man

- *appointed as chief executive officer on 1 July 2022*
- *resigned as an executive president on 1 July 2022*
- *appointed as an executive Director on 1 April 2022*

Dr. LI Zhuang

- *appointed as an executive Director and vice president on 1 April 2022*

Mr. XIE Hui

- *appointed as the Chairman on 6 June 2022*

Mr. JIN Liang

- *appointed as a non-executive Director on 6 June 2022*

Mr. YAN Jun

- *appointed as a non-executive Director on 6 June 2022*

Mr. CHEUNG Kam Chiu

- *resigned as co-chief executive officer on 1 July 2022*
- *resigned as an executive Director on 1 April 2022*

Mr. SZETO Wing Tak

- *resigned as co-chief executive officer on 1 July 2022*
- *resigned as an executive Director on 1 April 2022*

Ms. XU Jili

- *resigned the chairman of the Board on 6 June 2022*
- *resigned as a non-executive Director on 6 June 2022*

Mr. YE Ning

- *resigned as a non-executive Director on 6 June 2022*

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 12 to 20 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

### **Board and Board Committees Meetings and Directors’ Attendance Records**

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors only without the presence of other Directors during the year ended 31 March 2023.

During the year ended 31 March 2023, four regular Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and one annual general meeting were held.

## Corporate Governance Report



A summary of the attendance records of the Directors at the Board meetings, the respective Board committees meetings and general meeting(s) held during the year ended 31 March 2023 is set out below:

Name of Director	Attendance/Number of Meeting(s)				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Mr. NG Chun Man <sup>1</sup>	4/4	–	–	–	1/1
Dr. LI Zhuang <sup>1</sup>	4/4	–	–	–	1/1
Mr. XIE Hui	4/4	–	–	–	1/1
Mr. JIN Liang <sup>2</sup>	4/4	–	–	–	1/1
Mr. YAN Jun <sup>2</sup>	4/4	–	–	–	1/1
Ms. LI Yanmei	4/4	–	–	–	1/1
Ms. LEE Wing Yee Loretta	4/4	–	–	–	1/1
Ms. WONG Ling Fong Lisa	4/4	–	–	–	1/1
Mr. ZHOU Wenjie	4/4	–	–	–	1/1
Mr. FAN Chiu Tat Martin	4/4	2/2	–	–	1/1
Dr. GUAN Yuyan	4/4	–	1/1	1/1	0/1
Mr. HONG Kam Le	4/4	–	–	1/1	1/1
Mr. LEUNG Siu Hong	4/4	2/2	1/1	–	1/1
Ms. RU Tingting	4/4	2/2	1/1	1/1	1/1

Notes:

<sup>1</sup> appointed on 1 April 2022

<sup>2</sup> appointed on 6 June 2022

<sup>3</sup> During the period from 1 April 2022 to 6 June 2022, the Company did not hold any Board meeting, Board committee meeting or general meeting. As such, there is no relevant meeting attendance record for Mr. CHEUNG Kam Chiu, Mr. SZETO Wing Tak, Ms. XU Jili and Mr. YE Ning before their respective resignations.

### Chairman and Chief Executive Officer(s)

Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak resigned from the position of executive Directors with effect from 1 April 2022, and as the co-chief executive officers of the Company with effect from 1 July 2022. Mr. NG Chun Man was appointed as an executive Director with effect from 1 April 2022, and as the chief executive officer of the Company with effect from 1 July 2022.

Ms. XU Jili resigned from the position of a non-executive Director and the chairman of the Board with effect from 6 June 2022. Mr. XIE Hui was appointed as the Chairman with effect from 6 June 2022.

The Chairman is principally responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Company's business development and daily management of operations generally.



## Corporate Governance Report

### Independent Non-executive Directors

During the year ended 31 March 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The executive Directors are appointed for a specific term of three years, subject to termination in certain circumstances as stipulated in their respective service agreement or letter of appointment and retirement and re-election provisions in accordance with the Articles of Association.

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of two years, subject to termination on certain circumstances as stipulated in their respective letter of appointment and retirement and re-election provisions in accordance with the Articles of Association.

Ms. LEE Wing Yee Loretta, Mr. ZHOU Wenjie, Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan and Mr. HONG Kam Le are subject to retirement by rotation and re-election at the 2023 AGM. Under the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles of Association also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of the Company after the appointment and be subject to re-election at such shareholders meeting. The retiring Directors shall be eligible for re-election.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

### Board Independence Mechanism

The Company has mechanisms in place to ensure that independent views and input are available to the Board, and the Directors are given adequate channels to communicate their independent views and inputs. There are proper arrangements and procedures to facilitate constructive discussions and thorough consideration of relevant issues; and the Directors are encouraged to raise their concerns and to exercise independent judgement.

## Corporate Governance Report



All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The implementation and effectiveness of the relevant measures and mechanisms are reviewed by the Board on an annual basis. The Board considers that the above mechanisms are effective in ensuring that independent views and input are available to the Board for them to perform their duties.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to management team.

The Company has arranged appropriate liability insurance on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials/updates on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, during the year ended 31 March 2023, all Directors had participated in appropriate continuous professional development activities by ways of attending training sessions including briefings, seminars, conferences and workshops etc, and/or reading articles, newspapers, journals, magazines and/or updates relevant to the Group's businesses or to the Directors' duties and responsibilities, and corporate governance.



## Corporate Governance Report

The training records of the Directors for the year ended 31 March 2023 are summarized as follows:

Directors	Type(s) of Training <sup>(Note 1)</sup>
<b>Executive Directors</b>	
Mr. NG Chun Man <sup>(Note 2)</sup>	A & B
Dr. LI Zhuang <sup>(Note 2)</sup>	A & B
<b>Non-executive Directors</b>	
Mr. XIE Hui	A & B
Mr. JIN Liang <sup>(Note 3)</sup>	A & B
Mr. YAN Jun <sup>(Note 3)</sup>	A & B
Ms. LI Yanmei	A & B
Ms. LEE Wing Yee Loretta	A
Ms. WONG Ling Fong Lisa	A
Mr. ZHOU Wenjie	A
<b>Independent non-executive Directors</b>	
Mr. FAN Chiu Tat Martin	A & B
Dr. GUAN Yuyan	A
Mr. HONG Kam Le	A
Mr. LEUNG Siu Hong	A & B
Ms. RU Tingting	A

Notes:

- Types of Training
  - attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
  - reading articles, newspapers, journals, magazines and updates relevant to the Group's businesses or directors' duties etc.
- appointed as an executive Director with effect from 1 April 2022
- appointed as a non-executive Director with effect from 6 June 2022

## BOARD COMMITTEES

The Board has established three committees, namely, Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 2 to 3 of this annual report.

# Corporate Governance Report



## Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong. Mr. FAN Chiu Tat Martin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. 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 and those who deal with the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2023, the Audit Committee has reviewed the interim financial results and report and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budgets.

The Company's annual results announcement and annual report have been reviewed by the Audit Committee.

The Audit Committee held two meetings during the year ended 31 March 2023 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendance Records".

The Audit Committee also met the external auditor twice without the presence of the executive Directors.

## Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. LEUNG Siu Hong, Dr. GUAN Yuyan and Ms. RU Tingting. Mr. LEUNG Siu Hong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; making recommendations to the Board on the remuneration of non-executive Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/ her own remuneration.

During the year ended 31 March 2023, the Remuneration Committee reviewed the remuneration policy and the remuneration packages of the executive Directors and senior management, and recommended them to the Board for adoption.

The Remuneration Committee held one meeting during the year ended 31 March 2023 and the attendance of each member is listed under section "Board and Board Committees Meetings and Directors' Attendance Records".

Details of the remuneration of the senior management by band are set out in note 15(b) to the consolidated financial statements.



## Corporate Governance Report

### Nomination Committee

The Nomination Committee consists of three independent non-executive Directors, namely Ms. RU Tingting, Dr. GUAN Yuyan and Mr. HONG Kam Le. Ms. RU Tingting is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2023, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors and recommended the appointment of new Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The Nomination Committee held one meeting during the year ended 31 March 2023 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendances Records".

### Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board to ensure independent views and inputs are available to the Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Board should review the implementation and effectiveness of such policy on an annual basis.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually on the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to talent, skills, professional experience, independence and knowledge.

## Corporate Governance Report



In designing the Board's composition and selection of candidates, Board diversity has been considered from a range of diversity perspectives, including but not limited to talent, skills, professional experience, independence and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board will review the measurable objectives relevant to the Board composition in accordance with the Board Diversity Policy and will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. For the purpose of implementation of the Board Diversity Policy, the Board adopted the measurable objective that at least one member of the Board shall be female at any given time. For the year ended 31 March 2023, female and male representation at Board is about 35.71% and 64.29% respectively. Accordingly, the Board is of the view that the current gender diversity of the Board has achieved the objective set by the Company. Gender ratio in the workforce (including senior management) can be referred to page 17 of the Company's 2022/23 Environmental, Social and Governance Report ("**2022/23 ESG Report**"). The Nomination Committee considered that the Board Diversity Policy was effective for the year ended 31 March 2023.

### Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria taking care that the candidates possess skills, knowledge and experience relevant to the operations of the Company, have enough time available to devote to the position and, in case of independent non-executive director, the independence requirements set out in the Listing Rules, and take into account various aspects set out in the Board Diversity Policy of the Company including but not limited to gender, age, cultural and educational background, or professional experience, as well as the Company's business model and specific needs. The candidate must satisfy the Board that he/she has the character and integrity and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. During the year ended 31 March 2023, the changes in the composition of the Board have been summarized on page 24 in this annual report.

The Nomination Committee will review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the complement the Company's corporate strategy.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.





# Corporate Governance Report

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

As no corporate governance committee has been established, the Board is responsible for, among other things, formulating and reviewing the policies and practices on corporate governance of the Group and making recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Group's compliance with the CG Code and the disclosures in the annual report. The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

To the best knowledge of the Directors, during the year ended 31 March 2023, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks (including the environmental, social and governance risks ("**ESG risks**")) it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading management team and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The systems of internal control cover the areas of financial, accounting, operational, compliance and risk management of the Group's business. Management is responsible for implementing the internal control systems to manage risks (including ESG risks).

The key elements of the Company's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff; and
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary.

# Corporate Governance Report



All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects, including key operational and financial processes, regulatory compliance, information security and ESG, and report relevant findings to Audit committee and the Board. In mitigation of identified risks, the management, in coordination with department heads, actively assesses the effect of changes in situation(s), and worked closely with internal and external parties taking proper actions, if necessary, to avoid or mitigate their adverse impacts.

The following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks, compliance risks and ESG risks:

Risk Area	Principal Risk and Response
Strategic Risk	<p data-bbox="469 782 900 810"><u>Economic factors and market competition</u></p> <p data-bbox="469 821 1444 886">Hong Kong’s economy is adversely affected by pandemic of COVID-19 and the Group is facing keen competition in the environmental hygiene service industry as well.</p> <p data-bbox="469 929 1444 1138">In order to maintain the market leadership in the environmental hygiene service industry and further enhance competitiveness during the economic downturn, the Group is continuously (i) building and sustaining the reputation as high-quality and customized environmental hygiene service provider; (ii) increasing operational efficiency and service excellence to enhance customer experience; and (iii) introducing more innovative technology and equipment to increase the quality and efficiency of our environmental hygiene service.</p>
Operational Risk	<p data-bbox="469 1181 660 1209"><u>Tender and pricing</u></p> <p data-bbox="469 1220 1444 1328">The Group’s revenue is derived from service contracts awarded through tendering processes or quotations submissions and there is no guarantee of success of new tenders or renewal of existing services contracts.</p> <p data-bbox="469 1371 1444 1619">In response to the tender risk, the Group has established a relatively broad customer base ranging from various government departments in Hong Kong to non-government sectors customers such as property management companies and educational institutions etc. Besides, for business diversification and maintaining our competitiveness in the market, the Group has been actively developing its garbage logistics business, distribution agency business for distributing innovative technological products and equipment pertaining to environmental hygiene services and professional pest management services.</p> <p data-bbox="469 1662 651 1690"><u>Infectious disease</u></p> <p data-bbox="469 1701 1444 1808">The pandemic of COVID-19 has caused severe impacts on the workforce and economy of Hong Kong. If our employees are infected with the COVID-19, the Groups’ services may be affected and there is a possibility of service disruption.</p> <p data-bbox="469 1841 1444 2015">To address the threat of infectious diseases and ensure the safety of our frontline employees, the Group has taken actions, including educating frontline employees on how they shall protect themselves and strengthen the promotion on epidemic prevention by providing safety work guidelines. We also strive to provide frontline employees with adequate personal protective equipment, disinfection tools and supplies for routine cleaning and disinfection.</p>



## Corporate Governance Report

Risk Area	Principal Risk and Response
Operational Risk (Continued)	<p data-bbox="432 465 612 487"><u>Health and safety</u></p> <p data-bbox="432 502 1410 674">The Group's operations inevitably put frontline employees in a position where their health are exposed to risks, and accidents may happen to our employees during their work as well. The Group is exposed to claims risks for work-related accidents and injuries and public liability for physical injuries and property damages, which may have an impact on the Group's reputation and finances.</p> <p data-bbox="432 728 1410 901">To protect the occupational health and safety of our employees, the Group had implemented a range of occupational safety measures to safeguard employees' interests, including but not limited to providing all necessary training and guidance for employees. Besides, in order to address the claims risks, the Group has purchased insurance with insurance companies as a risk transfer.</p> <p data-bbox="432 955 560 976"><u>Recruitment</u></p> <p data-bbox="432 991 1410 1235">The environmental hygiene service market exhibits a long-standing shortage of labour and high turnover rate. In response to the risks, (i) employees' remuneration packages are reviewed regularly for competitiveness; (ii) internal manpower rotation plans are developed to match existing and future human resources needs; (iii) budget (including manpower budget) is prepared for projects; and the Group is continuously (iv) introducing advance automation equipment to reduce the need for manpower; and (v) improving employer branding to attract and retain talents.</p> <p data-bbox="432 1289 564 1310"><u>Supply chain</u></p> <p data-bbox="432 1325 1410 1386">The quality of the cleaning and disinfection products provided by the suppliers will directly affect the service quality of the Group and the health and safety of our employees.</p> <p data-bbox="432 1440 1410 1537">In order to ensure the quality of suppliers is monitored, the Group has compiled relevant internal control procedures for the selection of suppliers. In addition, the Group maintained business relationships with various existing suppliers to avoid over-reliance on a single supplier.</p> <p data-bbox="432 1591 772 1612"><u>Information system management</u></p> <p data-bbox="432 1627 1410 1763">Information system play a significant role in the Group's business operations and financial reporting cycle. The Group's operations may be affected by system failure and any improper use of data stored in the information system may cause a damage on the Group's reputation and finances.</p> <p data-bbox="432 1817 1410 1905">In order to address the information system risk, the Group has adopted information security guidelines to (i) prevent unauthorised access to our information system; and (ii) maintain a regular systematic data backup.</p>

# Corporate Governance Report



Risk Area	Principal Risk and Response
Compliance Risk	<p data-bbox="469 461 1066 491"><u>Compliance with the Listing Rules and other relevant laws</u></p> <p data-bbox="469 498 1444 750">The Group is required to comply with various regulations in Hong Kong, such as laws related to employment and labour practices, laws related to occupational safety and health (“<b>OSAH</b>”) and relevant tax law. In addition, the Group is required to comply with Listing Rules after listing on the Main Board of the Stock Exchange in October 2019. Failure to comply with the Listing Rules and other relevant laws may result in damages to the Group’s corporate image and expose it to the risks of investigation, operational disruption, suspension and/or director liability.</p> <p data-bbox="469 795 1444 976">In order to address the compliance risk, the Group has adopted various internal guidelines to ensure the Group’s operation complied with relevant labour law, OSAH law and tax law. In addition, the Group has hired various professional parties as consultants to deal with the requirements of the listing regulations, especially in terms of financial disclosure and corporate governance.</p>
Financial Risk	Please refer to note 6 to the consolidated financial statements for the financial risks facing by the Group.
ESG Risk	Major ESG risks of the Company were identified by the Company and disclosed in the 2022/23 ESG Report of the Company on page 9.

The internal control review function of the Group works with the external independent consultant to review the internal control systems and procedures of the Company in assessing the adequacy of the internal control. In the course of its reviews, the internal control review function together with the independent consultant conducted interviews with the designated responsible personnel and examined relevant documents to identify the deficiencies in the Company’s internal control procedures and develop recommendations for the improvement. The Company has formulated plans to implement the measures to improve its internal control systems with reference to those recommendations.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2023.

The Board, as supported by the Audit Committee as well as the reports of management team and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational, compliance controls and ESG risks, during the year ended 31 March 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function; and staff qualifications, experiences and relevant resources, as well as those relating to environmental, social and governance performance and reporting.



## Corporate Governance Report

The Company is committed to maintaining a high standard of integrity and ethical business conduct. Therefore, it encourages its employees and/or other external parties of the Group to speak up, raise concerns about or report any misconduct or malpractices in relation to the affairs of the Group in a confidential manner. A whistleblowing policy sets out guidance to facilitate employees of the Company and other stakeholders to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters relating to the Group. The Company has also adopted the anti-corruption policy, which sets out that the Directors and all employees of the Group are obliged to comply with applicable anti-corruption laws, regulations and codes of declaration of interests to ensure that the reputation of the Group is not undermined by any fraud, disloyalty or corruption and to demonstrate the Group's zero-tolerance principle to corruption, in order to promote and support anti-corruption laws and regulations.

The Company has developed its inside information policy which provides written guidelines to the Directors, the Company's senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 53 to 57.

### AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 March 2023 amounted to HK\$820,000 and HK\$294,500 respectively. An analysis of the remuneration paid to the external auditor of the Company, RSM Hong Kong, in respect of audit services and non-audit services for the year ended 31 March 2023 is set out below:

<b>Service Category</b>	<b>Fees Paid/ Payable (HK\$)</b>
Audit Services	
– Annual audit services	820,000
Non-audit Services	
– Review of 2022/2023 interim results	260,000
– Taxation services	34,500
	<hr/>
	1,114,500

# Corporate Governance Report



## COMPANY SECRETARY

During the period from 1 April 2022 to 25 October 2022, Dr. LI Zhuang and Ms. LEE Mei Yi were the Company's joint company secretaries. Ms. LEE Mei Yi is an executive director of corporate services department of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Following the resignation of Ms. LEE Mei Yi as a joint company secretary of the Company with effect from 26 October 2022, Dr. LI Zhuang became the sole company secretary of the Company.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Dr. LI Zhuang, one of the then joint company secretaries, was designated as the primary contact person of the Company who worked and communicated with Ms. LEE Mei Yi on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 March 2023, Dr. LI Zhuang has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2023, there was no change in the constitutional documents of the Company. As announced by the Company on 29 June 2023, the Board proposed to amend the Memorandum and Articles of Association pursuant to the amendment to Appendix 3 of the Listing Rules in relation to the Core Shareholder Protection Standards and resolutions will be proposed at the forthcoming annual general meeting of the Company to adopt the second amended and restated Memorandum and Articles of Association of the Company. For further details, please refer to the announcement and circular of the Company dated 29 June 2023 and 27 July 2023, respectively.

## SHAREHOLDERS' RIGHTS

The Company engages with the Shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.



## Corporate Governance Report

### Convening an Extraordinary General Meeting at the Request of Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Proposals at General Meetings by Shareholders

There is no provision allowing the Shareholders to put forward new resolutions at general meetings under the Cayman Companies Act or the Articles of Association. Shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company, the contact details of which are contained on the website of the Company ([www.johnsonholdings.com](http://www.johnsonholdings.com)).

For the avoidance of doubt, the Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meeting and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

### Policies relating to Shareholders

The Company has in place a Shareholder Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed.

## Corporate Governance Report



The Shareholder Communication Policy sets out various communication channels with the Shareholders. The annual general meeting and other general meetings of the Company are the primary channel for the Company to communicate with the Shareholders. At every annual general meeting, the Directors present an annual report containing information for Shareholders about the Company's business performance and strategy(ies). The Chairman, appropriate members of the Board committees and the external auditor of the Company will attend the annual general meeting and answer questions raised by the Shareholders.

The Company's website ([www.johnsonholdings.com](http://www.johnsonholdings.com)) contains information about the Company including contact details, Shareholders' communications, Company's announcements, circulars, notice(s) of general meeting(s) and other information which is in compliance with the applicable laws, rules and regulations. Shareholders and the public may forward any enquiries or their views to the Company and the Company's investor relations team will respond promptly to the queries, concerns and understand the views of its shareholders and stakeholders and direct the queries to management where appropriate.

The Board has conducted a review on the implementation and effectiveness of the Shareholder Communication Policy, which enables the Company to carry out effective communication with its Shareholders by way of regular meetings and timely updates of the Company's financial results and operational developments, and considered that the policy has been effectively implemented throughout the year ended 31 March 2023.

The Company has adopted a Dividend Policy. The Company does not have a fixed dividend payment ratio and may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to the Shareholders' approval. The Board will review the Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results;
- Shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors the Board may deem relevant.





# Report of the Directors

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged in the provision of cleaning, janitorial and other related services. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 39 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 March 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

## BUSINESS REVIEW

A review of the Group's business during the year ended 31 March 2023, which includes a description of the principal risks and uncertainties facing the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future development in the Group's business are set out in the Management Discussion and Analysis on pages 7 to 11 of this annual report.

In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group are included in the Corporate Governance Report of this annual report, and the discussions on the Group's environmental policies, relationships with its employees, customers and suppliers (key stakeholders) are included in the 2022/23 ESG Report of the Company.

All these discussions form part of this report of the directors.

## DIVIDEND

The Board recommended the payment of a final dividend of 1.22 HK cents per share for the year ended 31 March 2023 (2022: 5.00 HK cents per share). Subject to the Shareholders' approval at the 2023 AGM, the final dividend will be payable on 10 October 2023 to those Shareholders whose names appear on the register of members of the Company at the close of business on 18 September 2023, being the record date for determining the entitlements to the final dividend.

There is no arrangement under which a shareholder has waived or agreed to waive any dividends.

## SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 March 2023 are set out in note 32 to the consolidated financial statements.

## Report of the Directors



### USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Shares were listed on the Main Board of the Stock Exchange by way of global offering of 125,000,000 new Shares at an offer price of HK\$1.0 per share on 16 October 2019. The net proceeds from the global offering after deduction of the underwriting commission and related listing expenses were approximately HK\$87.9 million.

The below table sets out the actual use and proposed applications of the net proceeds from 16 October 2019, being the listing date on which the Shares first becoming listed on the Main Board of the Stock Exchange to 31 March 2023:

Purpose	Approximate percentage of total amount	Net proceeds from the global offering (HK\$ million)	Actual use of proceeds up to 31 March 2023 (HK\$ million)	Remaining proceeds as at 31 March 2023 (HK\$ million)	Expected timeline of full utilisation of the remaining proceeds
Financing the upfront cost to manage the cash flow mismatch between salaries payment and collection of sales receipt	34.8%	30.6	30.6	–	N/A
Enhancing operational efficiency and quality of environmental hygiene service by upgrading hardware and software as well as recruiting additional talents mainly for contracting and operation department	19.0%	16.7	14.2	2.5	By March 2024
Acquiring suitable new specialised motor vehicles for rendering environmental hygiene service	17.4%	15.3	15.3	–	N/A
Development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of fleets	17.0%	14.9	14.9	–	N/A
Purchase of suitable new automated cleaning machineries and equipment mainly for rendering environmental hygiene service	5.8%	5.1	5.1	N/A	N/A
General working capital	6.0%	5.3	5.3	N/A	N/A
	100%	87.9	85.4	2.5	



## Report of the Directors

All unutilised net proceeds have been deposited with licensed banks in Hong Kong. The Group intends to apply the remaining proceeds as shown above.

As at the date of this annual report, the Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 27 September 2019.

The expected timeline of full utilization of the remaining proceeds for enhancing operational efficiency and quality of environmental hygiene service is postponed from March 2023 to March 2024 because the schedules of upgrading hardware and software as well as recruiting additional talents were delayed by the outbreak of COVID-19 pandemic.

### DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company’s reserves available for distribution, calculated in accordance with the Cayman Companies Act, amounted to approximately HK\$263.3 million. Under the Cayman Companies Act, the share premium account of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Details of the movements in reserves of the Company during the year ended 31 March 2023 are set out in note 33(b) to the consolidated financial statements.

### GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 March 2023 is set out on page 124 of this annual report.

### DONATIONS

The total donations made by the Group during the year ended 31 March 2023 amounted to approximately HK\$15,000. (2022: HK\$28,000).

### PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in properties, plant and equipment during the year ended 31 March 2023 are set out in note 18 to the consolidated financial statements.

# Report of the Directors



## BANK AND OTHER BORROWINGS

Details of bank and other borrowings as at 31 March 2023 are set out in note 29 to the consolidated financial statements.

## SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2023 are set out in note 39 to the consolidated financial statements.

## EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the end of reporting period and up to the date of this annual report.

## DIVIDEND POLICY

Details of the Company's dividend policy are set out in the section headed "Corporate Governance Report" in this annual report.

## CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in notes 28 and 38 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year ended 31 March 2023.

## ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, the Group did not have any significant investment or material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 March 2023.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2023, the percentages of sales attributable to the largest customer and the five largest customers of the Group are 34.2% and 73.3% respectively.

During the year ended 31 March 2023, the largest supplier and the five largest suppliers of the Group accounted for approximately 1.0% and 3.5% of the total purchases of the Group respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.



# Report of the Directors

## DIRECTORS

The Directors during the year ended 31 March 2023 and up to the date of this annual report are:

### Executive Directors

Mr. NG Chun Man (*Chief Executive Officer*) <sup>(Note 1)</sup>

Dr. LI Zhuang (*Vice President*) <sup>(Note 2)</sup>

Mr. CHEUNG Kam Chiu <sup>(Note 3)</sup>

Mr. SZETO Wing Tak <sup>(Note 3)</sup>

### Non-executive Directors

Mr. XIE Hui (*Chairman*) <sup>(Note 4)</sup>

Mr. JIN Liang <sup>(Note 5)</sup>

Mr. YAN Jun <sup>(Note 5)</sup>

Ms. LI Yanmei

Ms. LEE Wing Yee Loretta

Ms. WONG Ling Fong Lisa

Mr. ZHOU Wenjie

Ms. XU Jili <sup>(Note 6)</sup>

Mr. YE Ning <sup>(Note 7)</sup>

### Independent non-executive Directors

Mr. FAN Chiu Tat Martin

Dr. GUAN Yuyan

Mr. HONG Kam Le

Mr. LEUNG Siu Hong

Ms. RU Tingting

Notes:

1. appointed as the executive Director with effect from 1 April 2022; resigned as executive president of the Company with effect from 1 July 2022; appointed as the chief executive officer of the Company with effect from 1 July 2022.
2. appointed as the executive Director and the vice president of the Company with effect from 1 April 2022.
3. resigned as the executive Director with effect from 1 April 2022 and as the co-chief executive officer with effect from 1 July 2022.
4. appointed as the chairman of the Board with effect from 6 June 2022.
5. appointed as the non-executive Director with effect from 6 June 2022.
6. resigned as the non-executive Director and the chairman of the Board with effect from 6 June 2022.
7. resigned as the non-executive Director with effect from 6 June 2022.

In accordance with Article 109 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election.

In accordance with Article 113 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## Report of the Directors



Ms. LEE Wing Yee Loretta, Mr. ZHOU Wenjie, Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan and Mr. HONG Kam Le will retire from office and, being eligible, have offered themselves for re-election at the 2023 AGM. Details of the Directors to be re-elected at the 2023 AGM are set out in the circular to Shareholders dated 27 July 2023.

None of the Directors being proposed for re-election at the 2023 AGM has entered into a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considered each of the independent non-executive Directors to be independent.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 12 to 20 of this annual report.

### DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into either a service agreement or a letter of appointment with the Company for a term of three years (subject to termination in certain circumstances as stipulated in the relevant service agreement or letter of appointment).

Each of the non-executive Directors (including the independent non-executive Directors) has signed a letter of appointment with the Company for a term of two years (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

All the Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 March 2023.



## Report of the Directors

### INTERESTS OF DIRECTORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

During the year ended 31 March 2023, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors and other officers of the Group shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has purchased the directors and officers liability insurance to provide appropriate protection for its Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 March 2023 for the benefit of the Directors.

### DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 March 2023 are set out in note 15 to the consolidated financial statements.

The remuneration packages of individual Directors and senior management (including salaries and other benefits) are recommended by the Remuneration Committee for the Board's approval, with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

### CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2023, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

### RELATED PARTY TRANSACTION

Details of the related party transactions for the year ended 31 March 2023 are set out in note 38 to the consolidated financial statements. The related party transactions as set out in note 38 to the consolidated financial statements constituted fully exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## Report of the Directors



### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties, and in which a Director or his/ her connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year ended 31 March 2023.

### SHARE SCHEME(S) OF THE COMPANY

The Company has no share schemes as at the date of this annual report.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 March 2023.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

### DIRECTORS' REMUNERATION

The Directors' fees are approved by the Shareholders at the annual general meeting of the Company and the other emoluments payable to executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Details of remuneration of Directors are set out in note 15(a) to the consolidated financial statements.

### RETIREMENT AND EMPLOYEES BENEFITS SCHEME

Details of retirement benefit scheme of the Group are set out in note 4(q) to the consolidated financial statements.





## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code as adopted by the Company, were as follows:

#### Long positions in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding in issue as at 31 March 2023
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 2)</sup>	30.75%

Notes:

- The letter "L" denotes the entity/person's long positions in the Shares.
- Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") is owned as to 54.7% by Best Approach Developments Limited ("**Best Approach**") (which is in turn directly held as to 55% by Harvest Vista Company Limited ("**Harvest Vista**") and indirectly held as to 45% by Harvest Vista through Century Rise Development Limited ("**Century Rise**"). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta, is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest Environmental (China) Company Limited ("**Canvest (China)**") is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng Development Limited ("**Yi Feng**") for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Directors



### INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 March 2023, so far as the Directors are aware, the interests or short positions of the entities/persons, other than a Director or chief executive of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding in issue as at 31 March 2023
Hong Kong Huafa Investment Holdings Limited ("Hong Kong Huafa")	Beneficial interest	210,000,000 (L) <sup>(Note 2)</sup>	42.00%
Zhuhai Huafa Group Company Limited ("Zhuhai Huafa")	Interest in controlled corporation	221,250,000 (L) <sup>(Note 2)</sup>	44.25%
Canvest (China)	Beneficial interest	153,750,000 (L)	30.75%
Yi Feng	Interest in controlled corporation	153,750,000 (L) <sup>(Note 3)</sup>	30.75%
Canvest Environmental	Interest in controlled corporation	153,750,000 (L) <sup>(Note 4)</sup>	30.75%
Best Approach	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
Century Rise	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
Harvest Vista	Interest in controlled corporation	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LAI Kin Man	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LAI Chun Tung	Beneficiary of a trust (other than a discretionary interest)	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
HSBC International Trustee Limited	Trustee	153,750,000 (L) <sup>(Note 5)</sup>	30.75%
South Pacific International Trading Limited ("South Pacific")	Beneficial interest	45,000,000 (L)	9.00%
SIIC Estate Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%
SIIC Investment Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%
SIIC International (BVI) Company Limited	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC")	Interest in controlled corporation	45,000,000 (L) <sup>(Note 6)</sup>	9.00%



## Report of the Directors

### Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. As at the date of this report, under the SFO, (i) Zhuhai Huafa through Guang Jie Investment Limited is deemed to be interested in 40.68% of Huafa Property Services Group Company Limited (華發物業服務集團有限公司) ("**Huafa Property Services**"). Zhuhai Huafa is deemed to be interested in 11,250,000 Shares through Huafa Property Services; and (ii) Hong Kong Huafa is the beneficial owner of 210,000,000 Shares. Zhuhai Huafa is deemed to be interested in a total of 221,250,000 Shares.
3. The Shares are registered in the name of Canvest (China), the entire share capital of which is wholly owned by Yi Feng. Under the SFO, Yi Feng is deemed to be interested in all the Shares held by Canvest (China).
4. Yi Feng is wholly owned by Canvest Environmental. Under the SFO, Canvest Environmental is deemed to be interested in all the Shares held by Canvest (China) (through its shareholding in Yi Feng).
5. Canvest Environmental is owned as to 54.7% by Best Approach (which is in turn directly held as to 55% by Harvest Vista and indirectly held as to 45% by Harvest Vista through Century Rise). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest (China) is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).
6. South Pacific is a direct wholly-owned subsidiary of SIIC Estate Company Limited and an indirect wholly-owned subsidiary of SIIC Investment Company Limited, SIIC International (BVI) Company Limited and SIIC. SIIC is a company incorporated in Hong Kong with limited liability and an overseas conglomerate controlled by the Shanghai municipal government. As at the date of this report, SIIC was the controlling shareholder of Shanghai Industrial Holdings Limited ("**SIHL**"), a limited liability company incorporated in Hong Kong whose shares are listed on the Stock Exchange (stock code: 0363). As at the date of this report, SIHL, through its indirect wholly-owned subsidiary, True Victor Holdings Limited, was interested in approximately 19.48% of Canvest Environmental. South Pacific is principally engaged in securities investment.

Save as disclosed above, as at 31 March 2023, the Company had not been notified of any entities/persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Report of the Directors



### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or Cayman Companies Act, under which the Company would be required to offer new Shares on a pro-rata basis to the existing Shareholders.

### CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 21 to 39 of this annual report.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

### AUDITOR

The consolidated financial statements for the year ended 31 March 2023 have been audited by RSM Hong Kong. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company for the ensuing year is to be proposed at the 2023 AGM.

### CONSULTING PROFESSIONAL TAX ADVISERS

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Company's securities.

The Shareholders are recommended to consult professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.



## Report of the Directors

### CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend, speak and vote at the 2023 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 2023 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 Friday, 1 September 2023
--	--

Closure of the register of members	Monday, 4 September 2023 to Friday, 8 September 2023 (both days inclusive)
------------------------------------	--

- (ii) Subject to the passing of the proposal for distributing the final dividend at the 2023 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 Thursday, 14 September 2023
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Record date	Monday, 18 September 2023
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Closure of the register of members	Friday, 15 September 2023 to Monday, 18 September 2023 (both days inclusive)
------------------------------------	--

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than the aforementioned latest time.

### PUBLICATION OF ANNUAL REPORT

This annual report is printed in both English and Chinese versions and is also published on the websites of the Company ([www.johnsonholdings.com](http://www.johnsonholdings.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

For and on behalf of the Board

**XIE Hui**  
*Chairman*

Hong Kong, 29 June 2023

# Independent Auditor's Report



RSM

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## To The Shareholders of Hong Kong Johnson Holdings Co., Ltd.

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

## OPINION

We have audited the consolidated financial statements of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 58 to 123, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Independent Auditor's Report

### KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matter we identified is:

#### 1. Accuracy of staff costs and provision

##### Key Audit Matter

Accuracy of staff costs and provision

Refer to note 27 to the consolidated financial statements and the accounting policies on note 4(q) to the consolidated financial statements.

The Group's staff costs comprise salaries and other staff benefits, including unutilised annual leave payments, redundancy cost, long service payments, and gratuity. The Group has a large number of staff, the costs of which account for a very substantial portion of the Group's total expenses. The Group experiences high staff turnover, especially when new service contracts are awarded or existing service contracts expire without renewal. We identified accuracy of staff costs and provision as a key audit matter because the Group's business model is labour-intensive and staff costs are critical to the Group's performance and because given the large number and high turnover of the Group's staff, there is a risk that staff costs are incorrectly calculated and/or under/over-accrued at the end of the reporting period.

##### How our audit addressed the Key Audit Matter

Our audit procedures to assess accuracy of staff costs and provision included the following:

- Understanding and evaluating the design, implementation and operating effectiveness of key controls relating to accruals for staff costs, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- performing analytical procedures on the Group's salary expenses, which included forming an expectation of the current year's salaries and comparing our expectations with actual amounts recorded by the Group and investigating any significant differences identified;
- re-calculating accruals for staff benefits, other than salaries, on a sample basis, and comparing the assumptions adopted in the calculations with relevant records maintained by the Human Resources Department;
- comparing actual payments during the current year with the accruals for staff costs at the last reporting date to assess the accuracy of management's estimating process; and
- comparing actual payments subsequent to the reporting date, if any, with the amount of staff costs accrued at the reporting date to assess whether there were any significant under/over-accrued balances as at year end.

# Independent Auditor's Report



## OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information in the Company's 2023 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.





## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report



### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Liu Eugene.

#### **RSM Hong Kong**

Certified Public Accountants

Hong Kong

29 June 2023



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	<i>Notes</i>	<b>2023</b> HK\$'000	2022 HK\$'000
<b>Revenue</b>	8	<b>2,280,200</b>	2,979,031
Cost of services		<b>(2,153,754)</b>	(2,692,739)
<b>Gross profit</b>		<b>126,446</b>	286,292
Government subsidies from Employment Support Scheme of the Government of the Hong Kong Special Administrative Region		<b>3,061</b>	–
Other income	9	<b>3,516</b>	2,187
Other gains	10	<b>4,274</b>	2,756
Allowance for account receivables	6(c)	<b>(688)</b>	(537)
Administrative expenses		<b>(91,665)</b>	(127,538)
<b>Profit from operations</b>		<b>44,944</b>	163,160
Finance costs	12	<b>(6,859)</b>	(6,908)
<b>Profit before tax</b>		<b>38,085</b>	156,252
Income tax expense	13	<b>(7,535)</b>	(26,616)
<b>Profit and total comprehensive income for the year attributable to equity holders of the Company</b>	14	<b>30,550</b>	129,636
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted (HK cents per share)	17	<b>6.1</b>	25.9

# Consolidated Statement of Financial Position

As at 31 March 2023



	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	70,619	112,183
Right-of-use assets	19	34,600	39,016
Financial assets at fair value through profit or loss ("FVTPL")	20	12,258	12,133
Deferred tax assets	31	147	837
<b>Total non-current assets</b>		<b>117,624</b>	164,169
<b>Current assets</b>			
Account receivables	21	340,398	413,261
Prepayments, deposits and other receivables	22	7,730	27,166
Inventories	23	139	318
Pledged bank deposits	24	29,566	24,806
Bank and cash balances	25	455,007	422,041
<b>Total current assets</b>		<b>832,840</b>	887,592
<b>Current liabilities</b>			
Account payables	26	28,291	40,328
Accruals, other payables and provisions	27	280,579	337,744
Loan from a controlling shareholder	28	–	2,000
Bank and other borrowings	29	10,818	20,930
Lease liabilities	30	7,300	7,455
Current tax liabilities		2,083	4,965
<b>Total current liabilities</b>		<b>329,071</b>	413,422
<b>Net current assets</b>		<b>503,769</b>	474,170
<b>Total assets less current liabilities</b>		<b>621,393</b>	638,339



## Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current liabilities</b>			
Provisions	27	444	3,378
Bank and other borrowings	29	17,496	30,905
Lease liabilities	30	8,495	10,572
Deferred tax liabilities	31	8,499	12,575
<b>Total non-current liabilities</b>		<b>34,934</b>	57,430
<b>NET ASSETS</b>		<b>586,459</b>	580,909
<b>Equity</b>			
Share capital	32	5,000	5,000
Reserves	34	581,459	575,909
<b>TOTAL EQUITY</b>		<b>586,459</b>	580,909

Approved by the Board of Directors on 29 June 2023 and are signed on its behalf by:

Mr. NG Chun Man

Mr. XIE Hui

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2023



	Note	Share capital HK\$'000	Share premium HK\$'000 (note 34(b)(i))	Merger reserve HK\$'000 (note 34(b)(ii))	Retained earnings HK\$'000	Total equity HK\$'000
At 1 April 2021		5,000	109,499	6,450	367,824	488,773
Total comprehensive income for the year		–	–	–	129,636	129,636
Dividend approved and paid in respect of the previous year	16	–	(37,500)	–	–	(37,500)
Changes in equity for the year		–	(37,500)	–	129,636	92,136
At 31 March 2022 and 1 April 2022		5,000	71,999	6,450	497,460	580,909
Total comprehensive income for the year		–	–	–	30,550	30,550
Dividend approved and paid in respect of the previous year	16	–	(25,000)	–	–	(25,000)
Changes in equity for the year		–	(25,000)	–	30,550	5,550
At 31 March 2023		<b>5,000</b>	<b>46,999</b>	<b>6,450</b>	<b>528,010</b>	<b>586,459</b>



# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>38,085</b>	156,252
Adjustments for:		
Depreciation of property, plant and equipment	<b>33,407</b>	35,170
Fair value gain on financial assets at FVTPL, net	<b>(125)</b>	(202)
Finance costs	<b>6,859</b>	6,908
Interest income	<b>(2,159)</b>	(42)
Dividend income from financial assets at FVTPL	<b>(78)</b>	(96)
Depreciation of right-of-use assets	<b>9,476</b>	11,170
Gain on disposals/write-off of property, plant and equipment, net	<b>(4,149)</b>	(2,554)
Allowance for account receivables	<b>688</b>	537
(Reversal of provision for)/provision for employee compensation claims and related legal fees	<b>(402)</b>	2,825
Provision for employee benefits	<b>70,196</b>	68,258
Operating profit before working capital changes	<b>151,798</b>	278,226
Decrease/(increase) in account receivables	<b>72,175</b>	(53,643)
Decrease/(increase) in prepayments, deposits and other receivables	<b>20,022</b>	(22,148)
Decrease/(increase) in inventories	<b>179</b>	(318)
(Decrease)/increase in account payables	<b>(12,037)</b>	17,471
Decrease in accruals and other payables	<b>(129,904)</b>	(53,195)
Cash generated from operations	<b>102,233</b>	166,393
Income taxes paid	<b>(13,803)</b>	(45,776)
Interest on lease liabilities	<b>(756)</b>	(1,098)
Net cash generated from operating activities	<b>87,674</b>	119,519

## Consolidated Statement of Cash Flows

For the year ended 31 March 2023



	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in pledged bank deposits	(4,760)	(363)
Interest received	2,159	42
Dividend received from financial assets at FVTPL	78	96
Purchases of property, plant and equipment	(1,581)	(26,642)
Proceeds from disposals/write-off of property, plant and equipment	15,751	6,365
Net cash generated from/(used in) investing activities	11,647	(20,502)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank loans and other borrowings	–	97,273
Repayment of bank loans and other borrowings	(14,742)	(81,134)
(Repayment)/drawdown of loan from a controlling shareholder	(2,000)	2,000
Decrease in factoring loans	(8,779)	(24,739)
Principal elements of lease payment	(9,742)	(10,833)
Interest paid	(6,092)	(5,781)
Dividends paid to equity holders of the Company	(25,000)	(37,500)
Net cash used in financing activities	(66,355)	(60,714)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,966</b>	<b>38,303</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>422,041</b>	<b>383,738</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>455,007</b>	<b>422,041</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances (note 25)	455,007	422,041





# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2019.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements.

## 2. 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 3 to the consolidated financial statements 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.

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

### (a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of these amendments did not have any material impact on the Group's consolidated financial statements for the current or prior year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

The Group has not applied any new standards, amendments to standards and interpretations that have been issued but are not yet effective for the financial year beginning 1 April 2022. These new standards, amendments to standards and interpretations include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	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 by the HKICPA
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's functional and presentation currency.

#### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are measured.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### (d) Property, plant and equipment

Property, plant and equipment, including buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% or over the lease term if shorter
Leasehold improvements	20%
Furniture and equipment	20%
Plant and machinery	20%
Motor vehicles	20%
Computer and software	10%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Leases (Continued)

#### (i) *The Group as a lessee (Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Leases (Continued)

#### (i) *The Group as a lessee (Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“**lease modification**”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 “Leases”. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Cost represents the invoiced cost of inventories which include all costs of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.





# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial assets (Continued)

#### *Debt instruments*

Debt instruments held by the Group are classified into the following measurement category:

- amortised cost, if the instruments are held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“**FVTOCI**”) (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

### (i) Account and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for expected credit losses (“**ECL**”).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

### (k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### (l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (m) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Account and other payables

Account and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### (p) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from cleaning, janitorial and other related services is recognised over time as the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The progress towards complete satisfaction of a performance obligation is measured based on an output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of the services.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income from financial assets at FVTPL is recognised when the rights to receive payment are established.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Employees benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme contribution charged to profit or loss represents contributions payable by the Group to the funds.

#### (iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payments of termination benefits. The Group provides for the probable future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance.

#### (iv) *Other post-employment benefit*

The Group is obligated to settle the long service payments to its employees upon the termination of their employment or retirement, and/or gratuity to its employees upon the contract completion or termination of their employment when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance and the relevant terms of service contracts. These obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (v) Impairment of financial assets

The Group recognises a loss allowance for ECL on account receivables as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for account receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Impairment of financial assets (Continued)

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.





# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Impairment of financial assets (Continued)

#### *Significant increase in credit risk (Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; or
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Impairment of financial assets (Continued)

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Impairment of financial assets (Continued)

#### *Measurement and recognition of ECL (Continued)*

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### (w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### (a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2023 was HK\$70,619,000 (2022: HK\$112,183,000).

### (b) Impairment of account receivables

The management of the Group estimates the amount of impairment loss for ECL on account receivables based on the credit risk of account receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2023, the carrying amount of account receivables is HK\$340,398,000 (net of allowance for account receivables of HK\$2,787,000) (2022: HK\$413,261,000 (net of allowance for account receivables of HK\$2,123,000)).

### (c) Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year ended 31 March 2023, income tax of HK\$7,535,000 (2022: HK\$26,616,000) was charged to profit or loss based on the estimated profit.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### (d) Provision for employee benefits

The Group provides for the probable unutilised annual leave payments and future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees at the end of the reporting period. In addition, the Group makes provision for lump-sum long service payments and gratuity on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

As at 31 March 2023, provision for employee benefits amounted to HK\$107,235,000 (2022: HK\$123,601,000).

### 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign currency risk

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.

#### (b) Price risk

The Group is exposed to equity price risk mainly through its investments in unlisted unit trusts. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the unit prices of the investments in unlisted unit trusts had been 5% (2022: 5%) higher/lower, consolidated profit after tax for the year ended 31 March 2023 would increase/decrease by HK\$84,000 (2022: HK\$93,000) as a result of the changes in fair value of financial assets at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

#### *Account receivables*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 14 to 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Credit risk (Continued)

##### *Account receivables (Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for account receivables as at 31 March 2023 and 2022:

	2023		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.21%	224,780	472
Up to 90 days past due	0.33%	96,515	318
91 – 120 days past due	0.27%	8,211	22
121 – 365 days past due	2.42%	11,486	278
More than 365 days past due	77.38%	2,193	1,697
		<b>343,185</b>	<b>2,787</b>

  

	2022		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.30%	340,845	1,024
Up to 90 days past due	1.09%	65,088	707
91 – 120 days past due	5.89%	3,406	200
121 – 365 days past due	2.39%	5,934	142
More than 365 days past due	45.27%	111	50
		<b>415,384</b>	<b>2,123</b>

Expected loss rates as at 31 March 2023 are based on actual loss provided for account receivables aged over the last fifteen half-year periods (2022: last thirteen half-year periods). These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (c) Credit risk (Continued)

#### *Account receivables (Continued)*

In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in a charge of HK\$645,000 (2022: HK\$633,000) for impairment provisions recognised in profit and loss during the year ended 31 March 2023.

Movements in the loss allowance for account receivables during the years are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of year	2,123	3,799
Allowance for account receivables recognised for the year	688	537
Write-off	(24)	(2,213)
At the end of year	2,787	2,123





## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Contractual undiscounted cash flows				Carrying amount HK\$'000
	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000	
<b>At 31 March 2023</b>					
Account payables	28,291	–	–	28,291	28,291
Accruals and other payables	164,500	–	–	164,500	164,500
Bank and other borrowings	11,829	9,967	8,379	30,175	28,314
Lease liabilities	7,838	7,986	754	16,578	15,795
	<b>212,458</b>	<b>17,953</b>	<b>9,133</b>	<b>239,544</b>	<b>236,900</b>
<b>At 31 March 2022</b>					
Account payables	40,328	–	–	40,328	40,328
Accruals and other payables	207,830	–	–	207,830	207,830
Loan from a controlling shareholder	2,000	–	–	2,000	2,000
Bank and other borrowings (note)	22,622	13,797	19,047	55,466	51,835
Lease liabilities	8,082	5,994	5,046	19,122	18,027
	<b>280,862</b>	<b>19,791</b>	<b>24,093</b>	<b>324,746</b>	<b>320,020</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (d) Liquidity risk (Continued)

Note:

Bank and factoring loans with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 March 2022, the aggregate undiscounted principal amounts of these bank and factoring loans amounted to HK\$8,779,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank and factoring loans with a repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below:

	<b>Less than 1 year</b>
	HK\$'000
<b>At 31 March 2022</b>	
Factoring loans	8,825

### (e) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates that vary with the then prevailing market condition.

As at 31 March 2023, if interest rates had been 50 basis points (2022: 50 basis points) lower/higher, with all other variables held constant, consolidated profit after tax for the year ended 31 March 2023 would have been HK\$386,000 lower/higher respectively, arising mainly as a result of lower/higher interest income on bank deposits (2022: HK\$301,000 lower/higher respectively, arising mainly as a result of lower/higher interest income on bank deposits).

### (f) Categories of financial instruments as at 31 March

	2023	2022
	HK\$'000	HK\$'000
<b>Financial assets:</b>		
Financial assets at amortised cost	<b>829,895</b>	884,391
Financial assets at FVTPL	<b>12,258</b>	12,133
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>236,900</b>	320,020



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 7. FAIR VALUE MEASUREMENTS (Continued)

### (a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using:		Total 31 March 2023 HK\$'000
	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,677	–	1,677
Investments in life insurance	–	10,581	10,581
<b>Total</b>	<b>1,677</b>	<b>10,581</b>	<b>12,258</b>

Description	Fair value measurements using:		Total 31 March 2022 HK\$'000
	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>			
<b>Financial assets</b>			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,860	–	1,860
Investments in life insurance	–	10,273	10,273
<b>Total</b>	<b>1,860</b>	<b>10,273</b>	<b>12,133</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 7. FAIR VALUE MEASUREMENTS (Continued)

#### (b) Reconciliation of assets measured at fair value based on level 3:

	2023 HK\$'000	2022 HK\$'000
Financial assets at FVTPL – Investments in life insurance At the beginning of year	10,273	9,969
Fair value gain, net recognised in profit or loss	308	304
At the end of year	10,581	10,273

Gains recognised in profit or loss including those for assets held at end of reporting period are presented in other gains in the consolidated statement of profit or loss and other comprehensive income.

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's Chief Financial Officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The Chief Financial Officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the Chief Financial Officer and the Board of Directors at least twice a year.

##### *Level 2 fair value measurements*

Description	Valuation technique	Assets fair value as at 31 March	
		2023 HK\$'000	2022 HK\$'000
Investments in unlisted unit trusts	Derived from quoted unit prices	1,677	1,860

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 7. FAIR VALUE MEASUREMENTS (Continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

#### *Level 3 fair value measurements*

The investments in life insurance in level 3 represents life insurance policies for key management (note 20 to the consolidated financial statements). The fair value of key management life insurance policies is determined by reference to the cash surrender value of the insurance policies.

If the cash surrender value of the insurance policies increased/decreased by 6% (2022: 6%) per annum, the Group's consolidated profit after tax for the year ended 31 March 2023 would be increased/decreased by HK\$635,000 (2022: HK\$616,000).

There were no changes in the valuation techniques used.

## 8. REVENUE

### (a) Disaggregation of revenue

	2023 HK\$'000	2022 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Cleaning, janitorial and other related services income	2,280,200	2,979,031
<b>Timing of revenue recognition</b>		
Services transferred over time	2,280,200	2,979,031



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 8. REVENUE (Continued)

#### (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 2023 and 2022 and the expected timing of recognising revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	1,074,628	1,716,236
More than one year but not more than two years	544,124	588,525
More than two years	169,631	155,580
	<b>1,788,383</b>	2,460,341

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 to its contracts with customers such that no adjustment would be made for the effect of a significant financing component on the transaction price allocated to the remaining performance obligation with the corresponding period between transferring promised goods or services to customers and their settlement expected at contract inception to be within one year.

### 9. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Interest income	2,159	42
Dividend income from financial assets at FVTPL	78	96
Government subsidies ( <i>note</i> )	1,279	2,049
	<b>3,516</b>	2,187

*Note:* The amounts represent government grants for the Anti-epidemic fund and other subsidies received from the Government of the Hong Kong Special Administrative Region (2022: government grants for the Anti-epidemic fund received, 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).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 10. OTHER GAINS

	2023 HK\$'000	2022 HK\$'000
Gain on disposals/write-off of property, plant and equipment, net	4,149	2,554
Fair value gain on financial assets at FVTPL, net	125	202
	<b>4,274</b>	<b>2,756</b>

## 11. SEGMENT INFORMATION

The Group has carried on a single business, which is 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 year.

### Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	2023 HK\$'000	2022 HK\$'000
Customer A	779,219	1,274,215
Customer B	663,653	936,020

## 12. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities	756	1,098
Interest on bank and other borrowings	6,092	5,742
Interest on loan from a controlling shareholder	11	68
	<b>6,859</b>	<b>6,908</b>





## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong Profits Tax Provision for the year	10,921	28,587
Deferred tax ( <i>note 31</i> )	(3,386)	(1,971)
	7,535	26,616

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 2023 and 2022.

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:

	2023 HK\$'000	2022 HK\$'000
Profit before tax	38,085	156,252
Tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	6,284	25,782
Tax effect of income that is not taxable	(1,495)	(31)
Tax effect of expenses that are not deductible	958	766
Tax concession	(6)	(10)
Tax effect of tax losses not recognised	464	–
Derecognition of tax losses previously recognised	640	–
Others	690	109
Income tax expense	7,535	26,616

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration	1,080	1,170
Cost of services (note (a))	2,153,754	2,692,739
Depreciation of property, plant and equipment	33,407	35,170
Depreciation of right-of-use assets	9,476	11,170
Gain on disposals/write-off of property, plant and equipment, net	(4,149)	(2,554)
Allowance for account receivables	688	537
Short-term lease payments – properties	482	248
Staff costs including labour cost, employee expenses and directors' emoluments		
Salaries, bonuses and allowances	1,673,143	2,300,358
Provision for employee benefits (note (b))	70,196	68,258
(Reversal of provision for)/provision for employee compensation claims and related legal fees	(402)	2,825
Retirement benefit scheme contributions	42,088	59,497
Other benefits	2,768	2,919
	<b>1,787,793</b>	<b>2,433,857</b>

Notes:

- (a) For the year ended 31 March 2023, the cost of services, amongst others, includes labour costs and depreciation totalling HK\$1,780,590,000 (2022: HK\$2,389,278,000).
- (b) Provision for employee benefits includes unutilised annual leave payments, estimated redundancy cost, estimated long service payments, and gratuity.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS

#### (a) Directors' emoluments

The remuneration of each director was as follows:

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>For the year ended 31 March 2023</b>					
<b>Executive Directors</b>					
Mr. NG Chun Man (note (c))	–	2,340	–	18	2,358
Dr. LI Zhuang (note (d))	# –	–	–	–	–
Mr. CHEUNG Kam Chiu (note (a))	–	1,699	30	156	1,885
Mr. SZETO Wing Tak (note (a))	–	2,045	30	156	2,231
<b>Non-executive Directors</b>					
Mr. XIE Hui	* –	–	–	–	–
Ms. LI Yanmei	* –	–	–	–	–
Ms. LEE Wing Yee Loretta	* –	–	–	–	–
Ms. WONG Ling Fong Lisa	* –	–	–	–	–
Mr. ZHOU Wenjie	* –	–	–	–	–
Mr. JIN Liang (note (e))	* –	–	–	–	–
Mr. Yan Jun (note (e))	* –	–	–	–	–
Mr. YE Ning (note (b))	* –	–	–	–	–
Ms. XU Jili (note (b))	* –	–	–	–	–
<b>Independent Non-executive Directors</b>					
Mr. FAN, Chiu Tat Martin	120	–	–	–	120
Dr. GUAN, Yuyan	120	–	–	–	120
Mr. HONG, Kam Le	120	–	–	–	120
Mr. LEUNG, Siu Hong	120	–	–	–	120
Ms. RU, Tingting	120	–	–	–	120
	600	6,084	60	330	7,074

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	
<b>For the year ended 31 March 2022</b>					
<b>Executive Directors</b>					
Mr. CHEUNG Kam Chiu (note (a))	–	3,580	14,725	537	18,842
Mr. SZETO Wing Tak (note (a))	–	3,580	14,725	537	18,842
<b>Non-executive Directors</b>					
Ms. LI Yanmei	* –	–	–	–	–
Mr. XIE Hui	* –	–	–	–	–
Mr. YE Ning (note (b))	* –	–	–	–	–
Ms. XU Jili (note (b))	* –	–	–	–	–
Ms. LEE Wing Yee Loretta	* –	–	–	–	–
Ms. WONG Ling Fong Lisa	* –	–	–	–	–
Mr. ZHOU Wenjie	* –	–	–	–	–
<b>Independent Non-executive Directors</b>					
Mr. FAN, Chiu Tat Martin	120	–	–	–	120
Dr. GUAN, Yuyan	120	–	–	–	120
Mr. HONG, Kam Le	120	–	–	–	120
Mr. LEUNG, Siu Hong	120	–	–	–	120
Ms. RU, Tingting	120	–	–	–	120
	600	7,160	29,450	1,074	38,284

# The fee paid to the executive director was HK\$1.

\* The fee paid to each of the non-executive directors was HK\$1, respectively.

Notes:

- (a) They resigned as the executive directors with effect from 1 April 2022, and as the co-chief executive officers with effect from 1 July 2022.
- (b) They resigned as the non-executive directors with effect from 6 June 2022.
- (c) He was appointed as the executive director with effect from 1 April 2022, and as the chief executive officer with effect from 1 July 2022.
- (d) He was appointed as the executive director and vice president with effect from 1 April 2022.
- (e) They were appointed as the non-executive directors with effect from 6 June 2022.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 March 2023 and 2022.

The bonuses are determined with reference to the financial performance of the Group.

#### (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included one director and two directors who resigned on 1 April 2022 (2022: two directors who resigned on 1 April 2022) whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining two (2022: three) individuals are set out below:

	2023 HK\$'000	2022 HK\$'000
Salaries and allowances	1,859	5,218
Bonuses	310	295
Retirement benefit scheme contributions	137	149
	<b>2,306</b>	<b>5,662</b>

The emoluments fell within the following band:

	Number of individuals	
	2023	2022
HK\$1,000,000 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	–	1

During the year ended 31 March 2023, no emoluments were paid by the Group to any of the directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

### (c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2023 and 2022.

### (d) Director's termination benefits

None of the directors of the Company received any termination benefits during the years ended 31 March 2023 and 2022.

### (e) Consideration provided to third parties for making available directors' services

During the years ended 31 March 2023 and 2022, the Group did not pay considerations to any third parties for making available directors' services.

### (f) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 March 2023 and 2022, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities.

### (g) Pensions – defined contribution plans

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) and a defined contribution provident fund scheme (the "ORSO Scheme") which is registered under the Occupational Retirement Schemes Ordinance for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme and ORSO Scheme are defined contribution retirement plans administered by independent trustees.

Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Under the ORSO Scheme, the Group contributes 5 – 10% of the employees' basic salary to the ORSO Scheme even the employee chooses not to contribute.

During the years ended 31 March 2023 and 2022, the Group had no forfeited contributions under the MPF Scheme and ORSO Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 March 2023 and 2022 under MPF Scheme and ORSO Scheme and which may be used by the Group to reduce the contribution payable in future years.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 16. DIVIDENDS

	2023 HK\$'000	2022 HK\$'000
Payment of final dividend in respect of the year ended 31 March 2022 of 5.0 HK cents per share	25,000	–
Payment of final dividend in respect of the year ended 31 March 2021 of 7.5 HK cents per share	–	37,500
	25,000	37,500

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 March 2023 of 1.22 HK cents per share has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

### 17. EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to equity holders of the Company for the purpose of calculating basic earnings per share	30,550	129,636

	2023 '000	2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	500,000	500,000

The weighted average numbers of ordinary shares used as denominator for calculating the basic and diluted earnings per share are the same for the years ended 31 March 2023 and 2022 as there were no dilutive potential ordinary share in issue for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Computer and software HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1 April 2021	7,532	196	7,853	10,093	176,682	1,183	203,539
Additions	-	-	10	2,216	24,416	-	26,642
Transfer from right-of-use assets (note 19)	-	-	-	-	1,326	-	1,326
Disposals and write-off	-	-	-	(80)	(20,758)	-	(20,838)
At 31 March 2022 and 1 April 2022	7,532	196	7,863	12,229	181,666	1,183	210,669
Additions	-	-	-	114	1,467	-	1,581
Transfer from right-of-use assets (note 19)	-	-	-	-	11,773	-	11,773
Disposals and write-off	-	-	-	-	(31,894)	-	(31,894)
At 31 March 2023	<b>7,532</b>	<b>196</b>	<b>7,863</b>	<b>12,343</b>	<b>163,012</b>	<b>1,183</b>	<b>192,129</b>
<b>Accumulated depreciation</b>							
At 1 April 2021	2,240	156	4,653	4,159	68,065	562	79,835
Charge for the year	204	40	844	1,864	32,100	118	35,170
Transfer from right-of-use assets	-	-	-	-	508	-	508
Disposals and write-off	-	-	-	(20)	(17,007)	-	(17,027)
At 31 March 2022 and 1 April 2022	2,444	196	5,497	6,003	83,666	680	98,486
Charge for the year	204	-	841	1,818	30,426	118	33,407
Transfer from right-of-use assets	-	-	-	-	9,909	-	9,909
Disposals and write-off	-	-	-	-	(20,292)	-	(20,292)
At 31 March 2023	<b>2,648</b>	<b>196</b>	<b>6,338</b>	<b>7,821</b>	<b>103,709</b>	<b>798</b>	<b>121,510</b>
<b>Carrying amount</b>							
At 31 March 2023	<b>4,884</b>	<b>-</b>	<b>1,525</b>	<b>4,522</b>	<b>59,303</b>	<b>385</b>	<b>70,619</b>
At 31 March 2022	5,088	-	2,366	6,226	98,000	503	112,183

As at 31 March 2023, certain motor vehicles with the carrying amount of HK\$29,500,000 (2022: HK\$45,341,000) were pledged as security for the Group's other borrowings.





## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Motor vehicles HK\$'000	Leased properties HK\$'000	Total HK\$'000
At 1 April 2021	16,963	30,913	3,128	51,004
Transfer to property, plant and equipment	–	(818)	–	(818)
Depreciation	(653)	(8,542)	(1,975)	(11,170)
At 31 March 2022 and 1 April 2022	16,310	21,553	1,153	39,016
Additions	–	–	6,924	6,924
Transfer to property, plant and equipment	–	(1,864)	–	(1,864)
Depreciation	(653)	(6,709)	(2,114)	(9,476)
At 31 March 2023	<b>15,657</b>	<b>12,980</b>	<b>5,963</b>	<b>34,600</b>

As at 31 March 2023, certain motor vehicles under right-of-use assets with the carrying amount of HK\$12,980,000 (2022: HK\$21,553,000) were pledged as security for the Group's lease liabilities.

Lease liabilities of HK\$15,795,000 (2022: HK\$18,027,000) are recognised with related right-of-use assets of HK\$34,600,000 as at 31 March 2023 (2022: HK\$39,016,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The following are the amounts recognised in profit or loss:

	2023 HK\$'000	2022 HK\$'000
Depreciation expenses on right-of-use assets	<b>9,476</b>	11,170
Interests expense on lease liabilities (included in finance costs)	<b>756</b>	1,098
Expenses relating to short-term leases (included in cost of services and administrative expenses)	<b>482</b>	248

Details of total cash outflow for leases are set out in note 37(b) to the consolidated financial statements.

For both years, the Group leases various motor vehicles and properties for its operations. Lease contracts are entered into for fixed term of 2 years to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



### 20. FINANCIAL ASSETS AT FVTPL

	2023 HK\$'000	2022 HK\$'000
Unlisted investments		
Investments in unlisted unit trusts ( <i>note</i> )	1,677	1,860
Investments in life insurance ( <i>note 7(b)</i> )	10,581	10,273
Analysed as non-current assets	12,258	12,133

Note: Dividend income of HK\$78,000 (2022: HK\$96,000) was received from these investments during the year.

The fair values of investments in unit trusts are determined by the number of unit trust held by the Group times its indicative market value at the end of each reporting period. The indicative market value is quoted by the unit trust and is calculated from its net asset value on each dealing day. As at 31 March 2023 and 2022, all the unlisted unit trusts were pledged for bank borrowings and banking facilities granted to the Group.

Investments in life insurance represent investments in life insurance policies for the former key management, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak, who resigned as the executive directors with effect from 1 April 2022, and as the co-chief executive officers with effect from 1 July 2022. There are no fixed maturity and no market price for such investment. The return of the investments will be based on the guaranteed minimum return rate. The fair values of investments in life insurance are based on the cash surrender value of the life insurance policies at the end of each reporting period. As at 31 March 2023 and 2022, all the investments in life insurance were pledged for bank borrowings and banking facilities granted to the Group.

Financial assets at FVTPL are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
HK\$	1,677	1,860
United States dollars ("USD")	10,581	10,273
	12,258	12,133



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 21. ACCOUNT RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Account receivables	343,185	415,384
Allowance for account receivables ( <i>note 6(c)</i> )	(2,787)	(2,123)
	<b>340,398</b>	413,261

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 of the Company.

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

	2023 HK\$'000	2022 HK\$'000
Up to 90 days	291,015	393,359
91 to 180 days	43,239	20,129
181 days to 1 year	6,381	1,456
Over 1 year	2,550	440
	<b>343,185</b>	415,384

As at 31 March 2022, HK\$9,754,000 of account receivables were pledged to banks to secure factoring loans as set out in note 29 to the consolidated financial statements.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 21. ACCOUNT RECEIVABLES (Continued)

### Transfer of financial assets

The following was the Group's account receivables as at 31 March 2022 which 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 (note 29 to the consolidated financial statements). These financial assets were carried at amortised cost in the consolidated statement of financial position.

	2022 HK\$'000
Carrying amount of transferred assets of account receivables	9,754
Carrying amount of associated liabilities of factoring loans (note 29)	(8,779)
Net position	975

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Prepayments	2,806	2,883
Deposits	1,970	816
Other receivables	2,954	23,467
	7,730	27,166

## 23. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Consumable goods	139	318

## 24. PLEDGED BANK DEPOSITS

The pledged bank deposits represented deposits pledged to banks to secure bank borrowings and banking facilities of the Group as set out in note 29 to the consolidated financial statements. The pledged bank deposits were with maturity of three months or less than three months.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 25. BANK AND CASH BALANCES

	2023 HK\$'000	2022 HK\$'000
Bank balances	454,878	421,860
Cash on hand	129	181
	<b>455,007</b>	422,041

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
HK\$	454,944	421,959
USD	63	82
	<b>455,007</b>	422,041

### 26. ACCOUNT PAYABLES

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

	2023 HK\$'000	2022 HK\$'000
Up to 30 days	14,017	22,657
31 to 60 days	13,420	16,448
61 to 90 days	816	1,185
Over 90 days	38	38
	<b>28,291</b>	40,328

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



### 27. ACCRUALS, OTHER PAYABLES AND PROVISIONS

	2023 HK\$'000	2022 HK\$'000
Accrued staff costs and provisions	274,555	339,456
Other accruals	1,183	1,474
Other payables	5,285	192
	<b>281,023</b>	341,122

Presented as:

	2023 HK\$'000	2022 HK\$'000
Current liabilities	280,579	337,744
Non-current liabilities – Provision for employee benefits	444	3,378
	<b>281,023</b>	341,122

Movement in provision for employee benefits is as follows:

	HK\$'000
1 April 2021	86,826
Addition	73,337
Utilisation	(36,562)
At 31 March 2022 and 1 April 2022	123,601
Addition	69,467
Utilisation	(85,833)
At 31 March 2023	<b>107,235</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 28. LOAN FROM A CONTROLLING SHAREHOLDER

The loan is unsecured, interest-bearing at 4% per annum and repayable within 180 days from the date of drawdown.

### 29. BANK AND OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Factoring loans	–	8,779
Other borrowings	<b>28,314</b>	43,056
	<b>28,314</b>	51,835

The bank and other borrowings are repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	<b>10,818</b>	20,930
More than one year, but not exceeding two years	<b>9,398</b>	12,708
More than two years, but not more than five years	<b>8,098</b>	18,197
	<b>28,314</b>	51,835
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(10,818)</b>	(20,930)
Amount due for settlement after 12 months (shown under non-current liabilities)	<b>17,496</b>	30,905

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



### 29. BANK AND OTHER BORROWINGS (Continued)

The interest rates per annum are as follows:

	2023	2022
Factoring loans	<b>HIBOR + 1.6% to HIBOR + 1.9%</b>	HIBOR +1.65% to HIBOR +1.9%
Other borrowings	<b>4.23% to 4.92%</b>	4.23% to 4.92%

Factoring loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings of HK\$28,314,000 (2022: HK\$43,056,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

All bank and other borrowings are denominated in HK\$.

As at 31 March 2022, factoring loans amounted to HK\$8,779,000 were secured by the Group's account receivables, of which HK\$8,779,000 were additionally secured by the Group's pledged bank deposits and financial assets at FVTPL.

As at 31 March 2023 and 2022, all other borrowings were secured by the Group's certain motor vehicles under property, plant and equipment.





## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 30. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Within one year	7,838	8,082	7,300	7,455
In the second to fifth years, inclusive	8,740	11,040	8,495	10,572
	16,578	19,122	15,795	18,027
Less: Future finance charges	(783)	(1,095)	N/A	N/A
Present value of lease obligations	15,795	18,027	15,795	18,027
Less: Amount due for settlement within 12 months (shown under current liabilities)			(7,300)	(7,455)
Amount due for settlement after 12 months (shown under non-current liabilities)			8,495	10,572

As at 31 March 2023, the lease liabilities of the Group of HK\$9,778,000 (2022: HK\$17,439,000) were secured by certain motor vehicles under right-of-use assets.

The weighted average incremental borrowing rates applied to lease liabilities range from 3.3% to 4.6% (2022: from 3.3% to 4.6%).

All lease liabilities are denominated in HK\$.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



### 31. DEFERRED TAX

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movement during the years are as follows:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Allowance for account receivables</b> HK\$'000	<b>After offsetting</b> HK\$'000
At 1 April 2021	15,988	(1,652)	(627)	13,709
(Credit)/charge to profit or loss for the year ( <i>note 13</i> )	(879)	(1,369)	277	(1,971)
At 31 March 2022 and 1 April 2022	15,109	(3,021)	(350)	11,738
(Credit)/charge to profit or loss for the year ( <i>note 13</i> )	(6,151)	2,874	(109)	(3,386)
At 31 March 2023	<b>8,958</b>	<b>(147)</b>	<b>(459)</b>	<b>8,352</b>

The following is the analysis of the deferred tax balances (after offsetting) for presentation in the consolidated statement of financial position purpose:

	<b>2023</b> HK\$'000	2022 HK\$'000
Deferred tax liabilities	<b>8,499</b>	12,575
Deferred tax assets	<b>(147)</b>	(837)
	<b>8,352</b>	11,738



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 32. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	3,000,000,000	30,000
Issued and fully paid: Ordinary shares of HK\$0.01 each		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	500,000,000	5,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total debt less bank and cash balances divided by total equity. Total debt comprises bank and other borrowings (except for bank overdrafts) and lease liabilities. Total equity comprises all components of equity (i.e. share capital, share premium, merger reserve and retained earnings).

The Group's strategy, which was unchanged throughout the year, was to maintain the net gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost.

As at 31 March 2023, bank and cash balances amounted to HK\$455,007,000 (2022: HK\$422,041,000), which exceeded total debt of HK\$44,109,000 (2022: HK\$71,862,000). Accordingly, there was no net debt as at 31 March 2023 and 2022 and calculation of net gearing ratio as at 31 March 2023 and 2022 is not meaningful.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

Breaches in meeting the financial covenants would permit the bank to immediately call certain borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 March 2023 and 2022.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



### 33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

#### (a) Statement of financial position of the Company

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Investment in a subsidiary		157,699	157,699
<b>Current assets</b>			
Amounts due from subsidiaries	39	111,447	111,183
Bank balances		327	340
		111,774	111,523
<b>Current liabilities</b>			
Accruals		1,182	918
<b>Net current assets</b>		<b>110,592</b>	110,605
<b>NET ASSETS</b>		<b>268,291</b>	268,304
<b>Equity</b>			
Share capital	32	5,000	5,000
Reserves	33(b)	263,291	263,304
<b>TOTAL EQUITY</b>		<b>268,291</b>	268,304

Approved by the Board of Directors on 29 June 2023 and are signed on its behalf by:

Mr. NG Chun Man

Mr. XIE Hui



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

#### (b) Reserve movement of the Company

	Share premium HK\$'000 <i>(note 34(b)(i))</i>	Contributed surplus HK\$'000 <i>(note 34(b)(iii))</i>	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1 April 2021	109,499	153,949	(129)	263,319
Total comprehensive income for the year	–	–	37,485	37,485
Dividend approved and paid in respect of the previous year	(37,500)	–	–	(37,500)
At 31 March 2022 and 1 April 2022	<b>71,999</b>	<b>153,949</b>	<b>37,356</b>	<b>263,304</b>
Total comprehensive income for the year	–	–	<b>24,987</b>	<b>24,987</b>
Dividend approved and paid in respect of the previous year	<b>(25,000)</b>	–	–	<b>(25,000)</b>
At 31 March 2023	<b>46,999</b>	<b>153,949</b>	<b>62,343</b>	<b>263,291</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 34. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Nature and purpose of reserves

#### (i) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Merger reserve*

The merger reserve of the Group represents the difference between the nominal value of shares of a subsidiary acquired pursuant to the Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" to the Company's prospectus dated 27 September 2019, over the nominal value of the share capital of the Company issued in exchange thereof.

#### (iii) *Contributed surplus*

Contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 35. CONTINGENT LIABILITIES

#### (a) Performance bonds

As at 31 March 2023, 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\$338,766,000 (2022: HK\$422,856,000). 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 31 March 2023, 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\$4,303,000 (2022: HK\$3,072,000). In the opinion of the directors of the Company, 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.

### 36. SHORT-TERM LEASE COMMITMENTS

The Group as lessee regularly entered into short-term leases for warehouses and carparks. The lease commitments for those short-term leases are similar to the short-term lease expenses recognised for the years ended 31 March 2023 and 2022. The corresponding short-term lease expenses of the portfolio of short-term leases during the years ended 31 March 2023 and 2022 were disclosed in note 19 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities (note 30) HK\$'000	Factoring loans (note 29) HK\$'000	Bank loans HK\$'000	Other borrowings (note 29) HK\$'000	Loan from a controlling shareholder (note 28) HK\$'000	Total HK\$'000
At 1 April 2021	28,860	33,518	862	26,055	–	89,295
Interest expenses	1,098	3,828	410	1,504	68	6,908
Cash outflows from operating activities	(1,098)	–	–	–	–	(1,098)
Cash (outflows)/inflows from financing activities	(10,833)	(28,567)	(1,272)	15,497	1,961	(23,214)
Reclassification	–	–	–	–	(29)	(29)
At 31 March 2022 and 1 April 2022	18,027	8,779	–	43,056	2,000	71,862
Addition	6,924	–	–	–	–	6,924
Interest expenses	756	4,460	–	1,632	11	6,859
Cash outflows from operating activities	(756)	–	–	–	–	(756)
Cash outflows from financing activities	(9,742)	(13,239)	–	(16,374)	(2,000)	(41,355)
Reclassification	586	–	–	–	(11)	575
At 31 March 2023	<b>15,795</b>	<b>–</b>	<b>–</b>	<b>28,314</b>	<b>–</b>	<b>44,109</b>





## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023 HK\$'000	2022 HK\$'000
Within operating cash flows	1,238	1,346
Within financing cash flows	9,742	10,833
	<b>10,980</b>	12,179

These amounts relate to the following:

	2023 HK\$'000	2022 HK\$'000
Lease rental paid	2,677	2,393
Payments for right-of-use assets	8,303	9,786
	<b>10,980</b>	12,179

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 38. RELATED PARTY TRANSACTIONS

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

	2023 HK\$'000	2022 HK\$'000
Compliance advisor fee to a related company ( <i>note (i)</i> )	360	511
Interest expense paid to loan from a controlling shareholder ( <i>note (ii)</i> )	11	68

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

	2022 HK\$'000
Loan from a controlling shareholder ( <i>note (ii)</i> )	2,000
Interest expense payable on loan from a controlling shareholder ( <i>note (ii)</i> )	29

Notes:

- (i) The related company and the Company have a common shareholder, that is Zhuhai Huafa Group Company Limited.
- (ii) The controlling shareholder is Hong Kong Huafa Investment Holdings Limited.



## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 38. RELATED PARTY TRANSACTIONS (Continued)

- (c) The remuneration of directors of the Company and other members of key management personnel during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and allowances	10,179	15,573
Bonuses	748	30,068
Retirement benefit scheme contributions	578	1,363
	<b>11,505</b>	47,004

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023



## 39. DETAILS OF SUBSIDIARIES

Name	Place of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2023	2022	
<b>Directly held:</b>					
Johnson Investment Holding Co., Ltd.	BVI	HK\$2	100%	100%	Investment holding
<b>Indirectly held:</b>					
Johnson Cleaning Services Company Limited	Hong Kong	HK\$10,200,000	100%	100%	Provision of cleaning, janitorial and other related services
Johnson Environmental Company Limited	Hong Kong	HK\$5,000,000	100%	100%	Provision of garbage logistics and other related services
i-CLEAN LIMITED	Hong Kong	HK\$1,000,000	100%	100%	Provision of distribution agency services and other related services
Johnson Professional Services Company Limited ( <i>note</i> )	Hong Kong	HK\$5,000,000	100%	–	Provision of pest control and other related services

*Note:* Johnson Professional Services Company Limited was incorporated on 10 November 2022. The issued capital has not been paid up to the date of the approval of these consolidated financial statements.

Amounts due from subsidiaries are interest-free, unsecured and have no fixed terms of repayment.



## Five Year Financial Summary

	Year ended 31 March				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Results</b>					
Revenue	<b>2,280,200</b>	2,979,031	2,767,475	1,784,981	1,433,383
Profit before tax	<b>38,085</b>	156,252	215,909	37,058	28,236
Income tax expense	<b>(7,535)</b>	(26,616)	(27,374)	(8,601)	(6,429)
Profit for the year	<b>30,550</b>	129,636	188,535	28,457	21,807
<b>As at 31 March</b>					
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>Assets and liabilities</b>					
Total assets	<b>950,464</b>	1,051,761	960,515	685,621	455,984
Total liabilities	<b>(364,005)</b>	(470,852)	(471,742)	(385,383)	(294,955)
Total Equity attributable to equity holders of the Company	<b>586,459</b>	580,909	488,773	300,238	161,029

# Definitions



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

“2023 AGM”	the annual general meeting of the Company to be held on 8 September 2023
“Articles of Association”	the amended and restated articles of association of the Company adopted on 3 September 2019 and as supplemented, amended or otherwise modified from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cayman Companies Act”	the Companies Act (Revised), Cap. 22 of the Cayman Islands laws and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“China”, “the PRC”	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
“Director(s)”	the director(s) of the Company
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules



## Definitions

“Nomination Committee”	the nomination committee of the Board
“Remuneration Committee”	the remuneration committee of the Board
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent