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Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1955)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

The board of directors (the “**Board**”) of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 (the “**Year**” or “**Review Year**”), together with the comparative figures for the year ended 31 March 2022 as follows:

	Year ended 31 March		Change
	2023	2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	2,280,200	2,979,031	(23.5%)
Gross profit	126,446	286,292	(55.8%)
Gross profit margin (%)	5.5%	9.6%	
Profit for the year attributable to equity holders of the Company	30,550	129,636	(76.4%)
Basic and diluted earnings per share (HK cents)	6.1	25.9	(76.4%)
Proposed final dividend per share (HK cents)	1.22	5.00	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	2,280,200	2,979,031
Cost of services		<u>(2,153,754)</u>	<u>(2,692,739)</u>
Gross profit		126,446	286,292
Government subsidies from Employment Support Scheme of the Government of the Hong Kong Special Administrative Region		3,061	—
Other income	4	3,516	2,187
Other gains	5	4,274	2,756
Allowance for account receivables		(688)	(537)
Administrative expenses		<u>(91,665)</u>	<u>(127,538)</u>
Profit from operations		44,944	163,160
Finance costs		<u>(6,859)</u>	<u>(6,908)</u>
Profit before tax		38,085	156,252
Income tax expense	6	<u>(7,535)</u>	<u>(26,616)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	7	<u>30,550</u>	<u>129,636</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	9	<u>6.1</u>	<u>25.9</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		70,619	112,183
Right-of-use assets		34,600	39,016
Financial assets at fair value through profit or loss ("FVTPL")		12,258	12,133
Deferred tax assets		147	837
		<hr/>	<hr/>
Total non-current assets		117,624	164,169
Current assets			
Account receivables	<i>10</i>	340,398	413,261
Prepayments, deposits and other receivables		7,730	27,166
Inventories		139	318
Pledged bank deposits		29,566	24,806
Bank and cash balances		455,007	422,041
		<hr/>	<hr/>
Total current assets		832,840	887,592
Current liabilities			
Account payables	<i>11</i>	28,291	40,328
Accruals, other payables and provisions		280,579	337,744
Loan from a controlling shareholder		—	2,000
Bank and other borrowings		10,818	20,930
Lease liabilities		7,300	7,455
Current tax liabilities		2,083	4,965
		<hr/>	<hr/>
Total current liabilities		329,071	413,422
Net current assets		503,769	474,170
		<hr/>	<hr/>
Total assets less current liabilities		621,393	638,339
		<hr/>	<hr/>

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

NOTES:

1. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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.

2. 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.

(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.

3. REVENUE

(a) Disaggregation of revenue

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2023 and 2022 and the expected timing of recognising revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	<u>169,631</u>	<u>155,580</u>
	<u><u>1,788,383</u></u>	<u><u>2,460,341</u></u>

4. OTHER INCOME

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

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).

5. OTHER GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<hr/> 4,274 <hr/>	<hr/> 2,756 <hr/>

6. INCOME TAX EXPENSE

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

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

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the 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 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before tax	<u>38,085</u>	<u>156,252</u>
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	<u>690</u>	<u>109</u>
Income tax expense	<u>7,535</u>	<u>26,616</u>

7. PROFIT FOR THE YEAR

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration	1,080	1,170
Cost of services (<i>note (a)</i>)	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
	<u> </u>	<u> </u>
Staff costs including labour cost, employee expenses and directors' emoluments		
Salaries, bonuses and allowances	1,673,143	2,300,358
Provision for employee benefits (<i>note (b)</i>)	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
	<u> </u>	<u> </u>
	<u>1,787,793</u>	<u>2,433,857</u>

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.

8. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>25,000</u>	<u>37,500</u>

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.

9. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to equity holders of the Company for the purpose of calculating basic earnings per share	<u>30,550</u>	<u>129,636</u>
	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>500,000</u>	<u>500,000</u>

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

10. ACCOUNT RECEIVABLES

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

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u>343,185</u>	<u>415,384</u>

As at 31 March 2022, HK\$9,754,000 of account receivables were pledged to banks to secure factoring loans.

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

Transfer of financial assets

The 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. These financial assets were carried at amortised cost in the consolidated statement of financial position.

	2022 <i>HK\$'000</i>
Carrying amount of transferred assets of account receivables	9,754
Carrying amount of associated liabilities of factoring loans	<u>(8,779)</u>
Net position	<u><u>975</u></u>

11. ACCOUNT PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<u><u>28,291</u></u>	<u><u>40,328</u></u>

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

MANAGEMENT DISCUSSION AND ANALYSIS RESULT

Results

The Group is a leading environmental hygiene service provider 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 the 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 engaged in campaigns to explain this bill to its customers and to make preparation in advance.

For our distribution agency business, the Group continued to enrich our agency product catalogue as part of our efforts in providing customers with environmental hygiene products and equipment featuring innovative technology, such as fully automated smart cleaning and disinfection robots and antiviral coating services that fully matches the needs of our customers. During the Review Year, the Group also provided antiviral coating services for Hong Kong Cultural Centre, a number of recreation venues, universities and colleges, making contributions to the community's fight against the pandemic.

On the other hand, the Group 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 maintain steady growth of our overall business and constantly exploring innovation. We will continue to maintain cleaning as the core business, and meanwhile 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 in 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.

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).

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.

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.

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.

AUDIT COMMITTEE

The Company established the Audit Committee on 3 September 2019 with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong. Mr. FAN Chiu Tat Martin serves as the chairman of the Audit Committee. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee and management team of the Company had discussed and reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 March 2023.

FINAL 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: 5.0 HK cents per share). Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, 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.

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

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2023, the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this annual results announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2023. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong in this annual results announcement.

ANNUAL GENERAL MEETING

The 2023 annual general meeting (the "AGM") will be held on Friday, 8 September 2023. Notice of the AGM will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders to attend, speak and vote at the 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 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
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Closure of the register of members	Monday, 4 September 2023 to Friday, 8 September 2023 (both days inclusive)
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- (ii) Subject to the passing of the proposal for distributing the final dividend at the 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)
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For the above purposes, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than the aforementioned latest time.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the shareholders, investors and business partners' support and trust, and all employees for their dedication and hard work.

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

Hong Kong, 29 June 2023

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