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Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1955)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Hong Kong Johnson Holdings Co., Ltd. (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”), together with the comparative figures for the corresponding period of 2022 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2023	2022	Change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
Revenue	822,032	1,224,108	(32.8%)
Gross profit	40,309	82,249	(51.0%)
Gross profit margins (%)	4.9%	6.7%	
Profit for the period attributable to the equity holders of the Company	9,623	33,909	(71.6%)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	<i>Notes</i>	Six months ended	
		30 September	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	822,032	1,224,108
Cost of services		<u>(781,723)</u>	<u>(1,141,859)</u>
Gross profit		40,309	82,249
Other income	6	3,466	4,868
Other gains and losses, net		1,950	3,417
Reversal of allowance/(allowance) for account receivables		58	(660)
Administrative expenses		<u>(32,580)</u>	<u>(45,855)</u>
Profit from operations		13,203	44,019
Finance costs	7	<u>(2,090)</u>	<u>(3,230)</u>
Profit before tax		11,113	40,789
Income tax expense	8	<u>(1,490)</u>	<u>(6,880)</u>
Profit and total comprehensive income for the period attributable to equity holders of the Company		<u>9,623</u>	<u>33,909</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	11	<u>1.9</u>	<u>6.8</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

		At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	12	76,841	70,619
Right-of-use assets		31,237	34,600
Financial assets at fair value through profit or loss ("FVTPL")		12,349	12,258
Deferred tax assets		147	147
Total non-current assets		<u>120,574</u>	<u>117,624</u>
Current assets			
Account receivables	13	408,532	340,398
Prepayments, deposits and other receivables		8,423	7,730
Inventories		17	139
Pledged bank deposits		30,024	29,566
Bank and cash balances		301,186	455,007
Total current assets		<u>748,182</u>	<u>832,840</u>
Current liabilities			
Account payables	14	15,227	28,291
Accruals, other payables and provisions		211,560	280,579
Dividend payable		6,100	–
Bank and other borrowings	15	11,613	10,818
Lease liabilities		7,391	7,300
Current tax liabilities		1,397	2,083
Total current liabilities		<u>253,288</u>	<u>329,071</u>
Net current assets		<u>494,894</u>	<u>503,769</u>
Total assets less current liabilities		<u>615,468</u>	<u>621,393</u>

		At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Non-current liabilities			
Provisions		440	444
Bank and other borrowings	15	12,325	17,496
Lease liabilities		4,993	8,495
Deferred tax liabilities		7,728	8,499
		<hr/>	<hr/>
Total non-current liabilities		25,486	34,934
		<hr/>	<hr/>
NET ASSETS		589,982	586,459
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	16	5,000	5,000
Reserves		584,982	581,459
		<hr/>	<hr/>
TOTAL EQUITY		589,982	586,459
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2023. Except as described below, the accounting policies (including the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2023.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), amendments and interpretations issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. The adoption of these new/ revised HKFRSs, amendments and interpretations has no material effect on the results reported for the current and prior periods.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“**MPF**”) scheme to reduce the long service payment (“**LSP**”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the abolition of the mandatory provident fund – long service payment offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

The Group has commenced the processes on impact assessment. As the Group has yet to fully complete its assessment of the impact of the HKICPA guidance, the impact on these condensed consolidated financial statements is not reasonably estimable at the time they are authorised for issue.

4. 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 period.

5. REVENUE

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements for the year ended 31 March 2023. The Group's revenue is derived from cleaning, janitorial and other related services income.

Disaggregation of revenue:

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
 within the scope of HKFRS 15		
Cleaning, janitorial and other related services income	<u>822,032</u>	<u>1,224,108</u>
Timing of revenue recognition		
Services transferred over time	<u><u>822,032</u></u>	<u><u>1,224,108</u></u>

6. OTHER INCOME

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Interest income	3,099	159
Dividend income from financial assets at FVTPL	44	39
Government subsidies from employment support scheme of the Government of the Hong Kong Special Administrative Region	–	3,087
Other government subsidies (<i>note</i>)	–	1,583
Sundry income	323	–
	<u>3,466</u>	<u>4,868</u>

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 during the six months ended 30 September 2022.

7. FINANCE COSTS

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Interest on lease liabilities	292	370
Interest on bank and other borrowings	1,798	2,849
Interest on loan from a controlling shareholder	–	11
	<u>2,090</u>	<u>3,230</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Current tax – Hong Kong Profits		
Tax Provision for the period	2,261	8,669
Deferred tax	<u>(771)</u>	<u>(1,789)</u>
	<u>1,490</u>	<u>6,880</u>

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

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2023 and 2022.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	9,799	17,269
Depreciation of right-of-use assets	2,900	5,040
Gain on disposals/written-off of property, plant and equipment, net	(1,859)	(3,554)
(Reversal of allowance)/allowance for account receivables	(58)	660
Expenses relating to short-term lease payments	<u>287</u>	<u>223</u>

10. DIVIDENDS

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

The final dividend of 1.22 HK cents per ordinary share for the year ended 31 March 2023 was approved by the shareholders at the annual general meeting of the Company held on 8 September 2023 and was subsequently paid on 10 October 2023.

11. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company for the purpose of calculating basic earnings per share	9,623	33,909
	2023	2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	500,000	500,000

The weighted average numbers of ordinary shares used as denominator for calculating the basic and diluted earnings per share are the same as there were no dilutive potential ordinary shares in issue for the six months ended 30 September 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately HK\$17,924,000 (six months ended 30 September 2022: HK\$210,000).

In addition, the Group has performed a review to reassess the estimated useful lives of certain motor vehicles based on more experiences attained by the Group's operational management, and has changed the expected useful life of certain motor vehicles from 5 years to 7 years to better reflect their actual useful lives. The change has been accounted for prospectively as a change in an accounting estimate in accordance with Hong Kong Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" effective from 1 April 2023. The impact on the condensed consolidated statement of profit or loss and other comprehensive income for the Period was a decrease of HK\$7,362,000 in depreciation expenses (included in cost of services).

13. ACCOUNT RECEIVABLES

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Account receivables	411,261	343,185
Allowance for account receivables	<u>(2,729)</u>	<u>(2,787)</u>
	<u>408,532</u>	<u>340,398</u>

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Up to 90 days	352,700	291,015
91 to 180 days	45,828	43,239
181 days to 1 year	10,254	6,381
Over 1 year	2,479	2,550
	<u>411,261</u>	<u>343,185</u>

14. ACCOUNT PAYABLES

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

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Up to 30 days	12,959	14,017
31 to 60 days	1,269	13,420
61 to 90 days	844	816
Over 90 days	155	38
	<u>15,227</u>	<u>28,291</u>

15. BANK AND OTHER BORROWINGS

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Factoring loans	1,349	–
Other borrowings	<u>22,589</u>	<u>28,314</u>
	<u><u>23,938</u></u>	<u><u>28,314</u></u>

The bank and other borrowings are repayable as follows:

	At 30 September 2023 <i>HK\$'000</i> (unaudited)	At 31 March 2023 <i>HK\$'000</i> (audited)
Within one year	11,613	10,818
More than one year, but not exceeding two years	7,710	9,398
More than two years, but not more than five years	<u>4,615</u>	<u>8,098</u>
	<u>23,938</u>	28,314
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(11,613)</u>	<u>(10,818)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u><u>12,325</u></u>	<u><u>17,496</u></u>

The interest rates per annum are as follows:

	At 30 September 2023 (unaudited)	At 31 March 2023 (audited)
Factoring loans	HIBOR +1.6% to HIBOR +1.7%	HIBOR +1.6% to HIBOR +1.9%
Other borrowings	4.23% to 4.92%	4.23% to 4.92%

16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised: Ordinary shares of HK\$0.01 each		
At 31 March 2023 (audited) and 30 September 2023 (unaudited)	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid: Ordinary shares of HK\$0.01 each		
At 31 March 2023 (audited) and 30 September 2023 (unaudited)	<u>500,000,000</u>	<u>5,000</u>

17. CONTINGENT LIABILITIES

(a) Performance bonds

As at 30 September 2023 and 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\$337,896,000 (unaudited) and HK\$338,766,000 (audited), respectively. The performance bonds were secured by the Group's pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) Litigations

As at 30 September 2023 and 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\$3,213,000 (unaudited) and HK\$4,303,000 (audited), respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Compliance advisor fee paid to a related company (<i>note 1</i>)	180	180
Interest expense paid to loan from a controlling shareholder (<i>note 2</i>)	–	11
	=====	=====

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

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

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

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Basic salaries and allowances	5,101	7,116
Bonuses	–	3,256
Retirement benefit scheme contributions	187	466
	<u>5,288</u>	<u>10,838</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group is a leading environmental hygiene service provider with coverage spanning across Hong Kong Island, 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\$822.0 million for the Period, representing a decrease of 32.8% compared with the same period last year. The Group's overall gross profit margin decreased from approximately 6.7% to 4.9%, which was mainly due to intense market competition.

Profit attributable to equity holders of the Company decreased by approximately HK\$24.3 million or 71.6% from approximately HK\$33.9 million for the six months ended 30 September 2022 to approximately HK\$9.6 million for the Period. The decrease was mainly due to various reasons: (i) certain government contracts for the provision of cleaning services not being successfully renewed, which caused a decrease in revenue generated from our government customers during the Period; (ii) the decrease in profit margin of the Group's certain service contracts due to intense market competition; (iii) the decrease in government subsidies by approximately HK\$3.1 million received from the employment support scheme of the Government of the Hong Kong Special Administrative Region during the Period as compared to that for the six months ended 30 September 2022; and (iv) the decrease in certain fixed costs of the Group during the Period was less than the decline in revenue.

BUSINESS REVIEW AND PROSPECTS

During the Period, the overall economic environment in the Hong Kong Special Administrative Region ("**Hong Kong**") improved as the market economic activities gradually resumed after the COVID-19 pandemic. However, affected by global economic inflation and changes in geopolitical situation, rising interest rates and high fuel prices continues to pose severe challenges to the daily operations of enterprises.

For the cleaning business, as new market players entered the government cleaning services market, which further intensified market competition, the Group experienced a decrease in contracts during the Period. However, we have been actively recruiting talents to build a high-end commercial line team while striving to improve service quality, so as to maintain a high renewal rate in the commercial line market and to broaden revenue sources. During the Period, the Group has successfully secured the contract in relation to the provision of cleaning services for the largest landmark shopping mall in the East Kowloon district. The Group has been actively exploring new customers from various governmental departments and has recently secured its first cleaning contract with the Hong Kong Housing Authority.

For the garbage logistics business, with the dedicated efforts of our specialized operation team and allocation of sufficient resources, service revenue maintained substantial growth during the Period. The Group successfully maintained its leading position in garbage logistics services for the cargo terminal of the Hong Kong Airport during the Period, and 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. Affected by the new contracts, service revenue for the garbage logistics business increased significantly during the Period and profitability continued to improve. Meanwhile, as the Municipal Solid Waste Charging Bill is expected to officially become effective in the first half of next year, the Group is proactively explaining and planning this bill to its customers so as to make preparation together.

On the other hand, the Group continues to actively develop 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 addition to continuing to develop its existing businesses, the Group has commenced its security guarding business in response to market demand thereby leveraging its existing resources to achieve diversified business development. At present, the Group has gradually established its own team and obtained relevant licenses. In the future, the Group will provide security guarding services to various customers under the name of Wyson Security Services Limited (formerly known as i-Clean Limited). It is believed that such business will become a new profit growth point of the Group. At the same time, the Company has gradually withdrawn from the distribution agency business to focus on the development of its main business and optimize its overall business structure.

Looking ahead, as the number of properties in Hong Kong will continue to grow, the public transportation system will constantly develop, and the environmental hygiene services market will continue to expand in the foreseeable future. The Group will strive to maintain a steady growth of its overall business, with emphasis on service quality, dedicating resources to ensure continuous advancement in technology-led environmental, social and corporate governance, while optimizing its organizational structure and bringing in more talents to enhance internal management capacity and core competitiveness. We will continue to maintain cleaning as our core business, develop new businesses to enrich the Group's business structure, and advance the overall business development through strategic mergers and acquisitions.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 September 2023 and 2022 were approximately HK\$822.0 million and HK\$1,224.1 million respectively, representing a decrease of approximately HK\$402.1 million or 32.8%. The decrease was mainly due to the decrease in revenue generated from our government customers as a result of intense market competition, which was partially offset by the increase in revenue from the non-government sector market for our cleaning business.

Cost of services

The cost of services primarily comprised of labour costs, cleaning materials costs and motor vehicles expenses. For the six months ended 30 September 2023 and 2022, the cost of services amounted to approximately HK\$781.7 million and HK\$1,141.9 million respectively, representing approximately 95.1% and 93.3% of the Group's revenue for the corresponding periods respectively. The percentage of cost of services to the Group's revenue increased by approximately 1.8% mainly due to the fact that the decrease in certain fixed costs of the Group during the Period was less than the decline in revenue, and the additional costs incurred upon completion of certain contracts with government customers.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately HK\$40.3 million, representing a decrease of approximately HK\$41.9 million or 51.0% from approximately HK\$82.2 million for the corresponding period in 2022.

The gross profit margins of the Group for the six months ended 30 September 2023 and 2022 were approximately 4.9% and 6.7% respectively. As mentioned above, the decrease in gross profit margin was mainly due to the decrease in revenue arising from intense market competition as well as the costs failing to decline in proportion to the decline in revenue during the Period.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 September 2023 and 2022 were approximately HK\$32.6 million and HK\$45.9 million respectively, representing a decrease of HK\$13.3 million or 29.0%. The decrease was mainly due to the decrease of remuneration of management and employee expenses. The Group continued to implement its budget cost control measures for administrative expenses during the Period.

Finance costs

The finance costs represented primarily the interest expenses on bank borrowings with floating interest rates. The finance costs amounted to approximately HK\$2.1 million and HK\$3.2 million for the six months ended 30 September 2023 and 2022 respectively, representing approximately 0.3% and 0.3% of the Group's total revenue respectively. The slight decrease was mainly due to the better cashflow management and reducing reliance on bank borrowings.

Profit for the Period attributable to equity holders of the Company

The Group's profit for the period attributable to equity holders of the Company for the six months ended 30 September 2023 and 2022 were approximately HK\$9.6 million and HK\$33.9 million respectively, representing a decrease of HK\$24.3 million or 71.6%. The decrease was mainly due to various reasons: (i) certain government contracts for the provision of cleaning services not being successfully renewed, which caused a decrease in revenue generated from our government customers during the Period; (ii) the decrease in profit margin of the Group's certain service contracts due to intense market competition; (iii) the decrease in government subsidies by approximately HK\$3.1 million received from the employment support scheme of the Government of the Hong Kong Special Administrative Region during the Period as compared to that for the six months ended 30 September 2022; and (iv) the decrease in certain fixed costs of the Group during the Period was less than the decline in revenue.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through cash inflows from financing activities. As at 30 September 2023, the capital structure of the Group consisted of equity of approximately HK\$590.0 million (31 March 2023: HK\$586.5 million), bank and other borrowings of approximately HK\$23.9 million (31 March 2023: HK\$28.3 million) and lease liabilities of approximately HK\$12.4 million (31 March 2023: HK\$15.8 million).

Account receivables

As at 30 September 2023, the Group had net account receivables of approximately HK\$408.5 million (31 March 2023: HK\$340.4 million). The increase was mainly due to the delay in the settlement of account receivables by government sector customers. The slow settlement from our government sector customers for the Period was in line with their historical settlement pattern of which they generally settle their invoices faster near the fiscal year end of the Government of Hong Kong falling in March than other periods of a year. The Group does not expect any material difficulty in collecting payment from such customers and continues to improve credit and collections management.

Cash position and fund available

During the Period, the Group maintained a healthy liquidity position, with working capital being financed by financing cash flows. As at 30 September 2023, the Group's cash and cash equivalents were approximately HK\$301.2 million (31 March 2023: HK\$455.0 million). The Group pledged bank deposits of approximately HK\$30.0 million (31 March 2023: HK\$29.6 million) to secure the Group's banking facilities. As at 30 September 2023, the current ratio of the Group was approximately 3.0 times (31 March 2023: 2.5 times).

Accruals, other payables and provisions

As at 30 September 2023, the Group had total accruals, other payables and provisions of approximately HK\$211.6 million (31 March 2023: HK\$281.0 million). The decrease was mainly due to the decrease in accrued staff costs and provision.

Bank and other borrowings

As at 30 September 2023, the Group had total bank and other borrowings of approximately HK\$23.9 million (31 March 2023: HK\$28.3 million). As at 30 September 2023, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK\$1,710.0 million, of which approximately HK\$1,370.7 million was unutilised.

Gearing ratio

As at 30 September 2023, the Group's gearing ratio was approximately 6.2% (31 March 2023: 7.5%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. The Group's total debts include interest-bearing bank and other borrowings and lease liabilities.

Foreign currency exposure

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities 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\$17.9 million and HK\$0.2 million respectively for the six months ended 30 September 2023 and 2022 for additions of property, plant and equipment. The capital expenditure was principally incurred due to the acquisition of motor vehicles for rendering environmental hygiene service. It was mainly funded by cash generated from operating activities.

Capital Commitment

As at 30 September 2023, the Group had no capital commitment (31 March 2023: Nil).

Charges on the Group's Assets

As at 30 September 2023, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets and financial assets at fair value through profit or loss (“**FVTPL**”) to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent Liabilities

(a) Performance bonds

As at 30 September 2023 and 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\$337,896,000 (unaudited) and HK\$338,766,000 (audited), respectively. The performance bonds were secured by the Group's pledged bank deposits, account receivables, financial assets at FVTPL and were guaranteed by the Company.

(b) Litigations

As at 30 September 2023 and 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\$3,213,000 (unaudited) and HK\$4,303,000 (audited), respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

HUMAN RESOURCES

As at 30 September 2023, the Group had over 6,300 employees (31 March 2023: over 7,400 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification, and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and reward for their contributions. In addition, the Group conducted various training activities, such as training on operational safety, office, and management skills, to improve the front-end quality of services and office support during the Period.

INTERIM DIVIDEND

The Board does not declare any interim dividend for the Period (six months ended 30 September 2022: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability.

Throughout the Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.johnsonholdings.com. The 2023/24 interim report will be available on the websites of the Stock Exchange and the Company before the end of December 2023.

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 November 2023

As at the date of this announcement, the executive Director is Dr. LI Zhuang (Vice President); the non-executive Directors 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 are Mr. FAN Chiu Tat Martin, Dr. GUAN Yuyan, Mr. HONG Kam Le, Mr. LEUNG Siu Hong and Ms. RU Tingting.