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

GLOBAL OFFERING

Sole Sponsor

西證國際 SOUTHWEST SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

西證國際 SOUTHWEST SECURITIES

華金證券(國際)有限公司 Huajin Securities (International) Limited

千里碩 ELSTONE

Important: *If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**125,000,000 Shares**
Number of Hong Kong Offer Shares	:	**12,500,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**112,500,000 Shares (subject to reallocation)**
Offer Price	:	**Not more than HK$1.2 per Offer Share and not less than HK$1.0 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Offer Share**
Stock code	:	**1955**

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Co-lead Manager

凱基金融亞洲有限公司
KGI CAPITAL ASIA LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on or about Thursday, 3 October 2019 or such later date as may be agreed between the parties. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 5:00 p.m. on Wednesday, 9 October 2019 or such later date as agreed by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.

Prior to making an investment decision, prospective investors should carefully consider all of the information set forth in this prospectus, including the risk factors set forth in "Risk Factors" in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.johnsonholdings.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreements, the Global Offering will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

27 September 2019

*If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be posted on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com**.*

Hong Kong Public Offering Commences and **WHITE** and **YELLOW** Application Forms available from . . . . 9:00 a.m. on Friday, 27 September 2019

Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** (Note 2) . . . . 11:30 a.m. on Thursday, 3 October 2019

Application lists open (Note 3) . . . . 11:45 a.m. on Thursday, 3 October 2019

Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC (Note 4) . . . . 12:00 noon on Thursday, 3 October 2019

Application lists close (Note 3) . . . . 12:00 noon on Thursday, 3 October 2019

Expected Price Determination Date (Note 5) . . . . Thursday, 3 October 2019

Announcement of (i) the final Offer Price, (ii) the level of indication of interest in the International Offering, (iii) the level of applications in the Hong Kong Public Offering, and (iv) the basis of allocation of the Hong Kong Offer Shares and the number of Offer Shares (with successful applicants' identification document numbers where applicable) to be posted on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com** on or before (Note 6) . Tuesday, 15 October 2019

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the sub-section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus and on the website of the Stock Exchange at **www.hkexnews.hk** from . . . . Tuesday, 15 October 2019

Results of allocations in the Hong Kong Public Offering to be available at the designated results of allocation website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult**, with a "search by ID" function from . . . . Tuesday, 15 October 2019

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Hong Kong Public Offering[(Note 7)] . . . . Tuesday, 15 October 2019

Despatch/collection of the Share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications pursuant to the Hong Kong Public Offering[(Notes 8)] . . . . Tuesday, 15 October 2019

Dealings in the Shares on the Main Board of the Stock Exchange to commence at 9:00 a.m. on . . . . Wednesday, 16 October 2019

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning, an announcement of "extreme conditions" caused by a super typhoon by the Hong Kong Government in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 and/or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 October 2019, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" of this prospectus. If the application lists do not open and close on Thursday, 3 October 2019, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" of this prospectus.

5. The Price Determination Date is expected to be on or around Thursday, 3 October 2019 and in any event, no later than 5:00 p.m. on Wednesday, 9 October 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 5:00 p.m. on Wednesday, 9 October 2019, the Global Offering will not proceed and will lapse.

6. None of our website or any of the information contained in our website forms part of this prospectus.

7. **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price payable per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus.

8. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019 or any other date as notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus.

Share certificates for the Offer Shares are expected to be issued on Tuesday, 15 October 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

You should read carefully "Underwriting", "Structure and Conditions of the Global Offering" and "How to apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus or the Application Forms must not be relied on by you as having been authorised by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other persons or parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are a leading environmental hygiene service provider providing a wide range of environmental hygiene services in Hong Kong. According to the Industry Report, we ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018. Led by our dedicated management team, we achieved steady growth in revenue and gross profit despite the fact that we had a thin net profit margin during the Track Record Period. According to Frost & Sullivan, our Group's thin net profit margin is in line with the industry norm due to the increased competition and labour intensive nature of industry. During the Track Record Period, over 90% of our total cost of services was attributable to labour costs. The table below sets forth the breakdown of our revenue derived from different customer types for the years/period indicated:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Government sector customers	719,504	59.8	760,499	59.1	869,223	60.6
Non-government sector customers						
– Commercial	301,161	25.0	346,834	27.0	395,596	27.6
– Institution (Note)	123,117	10.2	111,079	8.6	104,681	7.3
– Others	60,281	5.0	67,609	5.3	63,883	4.5
Total	1,204,063	100	1,286,021	100	1,433,383	100

Note: Institutional customers under the non-government sector generally represent universities and other higher education institutions.

Our Directors believe that our success relies heavily on our efficient management and maintaining of manpower, machineries, equipment and vehicles. To ensure quality and reliability of our environmental hygiene service, we allocated substantial resources in staffing and upgrading our equipment, machineries and motor vehicles to enhance our competitiveness. To ensure stable labour force to execute our projects, as at 31 March 2019, we had over 8,000 employees including a number of licensed technicians. In addition, our vehicle fleet, which comprised more than 100 vehicles as at 31 March 2019, includes specialised vehicles which allow us to carry out various scopes of environment hygiene services.

Our environmental hygiene service

We provide environmental hygiene service to two types of customers, which are government and non-government sector customers. With more than 39 years of experience in the industry, we extend our service coverage of our operations to all major districts throughout Hong Kong. We offered the following types of services during the Track Record Period:

- Building cleaning service was the major source of our revenue, contributing approximately 30.0%, 32.2% and 32.0% for the years ended 31 March 2017, 2018 and 2019, respectively. We provided comprehensive building cleaning service, which generally included cleaning, waste disposal service for residential buildings, commercial buildings, car parks, clubhouses and common areas as well as pest control service.
- Park and recreation center cleaning service was another major source of our revenue, contributing approximately 23.1%, 23.8% and 23.7% for the years ended 31 March 2017, 2018 and 2019,respectively. During the Track Record Period, we provided cleaning service in different venues such as parks, leisure venues, sports centers, playgrounds and gardens.
- Our street cleaning service can be categorised into cleaning service, deep cleaning service and refuse management and collection service. For the years ended 31 March 2017, 2018 and 2019, revenue generated from our street cleaning service amounted to approximately 17.2%, 16.7% and 21.9% of our total revenue, respectively.
- Our institutional cleaning service include cleaning service, waste management service and pest control service for educational institutions. For the years ended 31 March 2017, 2018 and 2019, revenue generated from our institutional cleaning service amounted to approximately 10.2%, 8.6% and 7.3% of our total revenue, respectively.
- Our other cleaning services include market cleaning service, government organisation cleaning service and rodent and pest control service. For the years ended 31 March 2017, 2018 and 2019, revenue generated from our other cleaning services amounted to approximately 19.5%, 18.7% and 15.1% of our total revenue, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by our business segments during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%
Building cleaning service	31,286	8.7	43,515	10.5	45,079	9.8
Park and recreation center cleaning service	15,023	5.4	15,379	5.0	17,578	5.2
Street cleaning service.	17,001	8.2	9,586	4.5	18,009	5.7
Institutional cleaning service	9,703	7.9	10,025	9.0	8,668	8.3
Other cleaning services	15,686	6.7	17,047	7.1	14,192	6.6
Total	88,699	7.4	95,552	7.4	103,526	7.2

The reason for the decrease in gross profit from street cleaning service from approximately HK$17.0 million for the year ended 31 March 2017 to approximately HK$9.6 million for the year ended 31 March 2018 was mainly due to the intense price competition in tendering for street cleaning contracts in 2016 and 2017.

For details about our services, please refer to "Business — Our Services" of this prospectus.

Service Contracts

We derived all of our revenue from service contracts obtained through tendering processes or quotations submissions.

Tender contracts

We generally enter into tender contracts with fixed term with most of our customers through tendering. The mandatory tendering requirements and terms and conditions of our tender contracts vary case by case. The renewal rate of our Major Tender Contracts amounted to approximately 73.3%, 63.9% and 66.7% for the years ended 31 March 2017, 2018 and 2019, respectively. For details, please refer to "Business — Service Contracts — Tender contracts" of this prospectus.

The following table sets forth a rolling back-log by number and value of our Major Tender Contracts having awarded and commenced as at the dates indicated:

By number of our Major Tender Contracts

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	Number of tender contracts	Number of tender contracts	Number of tender contracts	Number of tender contracts
Subsisting tender contracts at the beginning of year/period[(1)]				
— Government sector customers	30	32	33	34
— Non-government sector customers	22	26	23	25
	52	58	56	59
New tender contracts awarded and commenced during the year/period[(2)]				
— Government sector customers	10	20	14	9
— Non-government sector customers	11	14	10	11
	21	34	24	20
Expired tender contracts[(3)]				
— Government sector customers	8	19	13	7
— Non-government sector customers	7	17	8	14
	15	36	21	21
Subsisting tender contracts at the end of year/period[(4)]				
— Government sector customers	32	33	34	36
— Non-government sector customers	26	23	25	22
	58	56	59	58
New tender contracts awarded during the period from April to July 2019 but commenced after the period end				5
				63

By value of our Major Tender Contracts

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Opening value of tender contracts at the beginning of the year/period				
— Government sector customers	935,706	488,172	965,346	1,244,497
— Non-government sector customers	400,017	283,945	269,016	279,239
	1,335,723	772,117	1,234,362	1,523,736
Value of new tender contracts awarded and commenced during the year/period				
— Government sector customers	154,016	1,117,937	1,031,652	657,800
— Non-government sector customers	142,467	261,281	326,273	242,893
	296,483	1,379,218	1,357,925	900,693(6)
Revenue of tender contracts recognised during the year/period(5)				
— Government sector customers	601,550	640,763	752,501	317,148
— Non-government sector customers	258,539	276,210	316,050	102,555
	860,089	916,973	1,068,551	419,703
Remaining value of tender contracts at the end of the year/period				
— Government sector customers	488,172	965,346	1,244,497	1,585,149
— Non-government sector customers	283,945	269,016	279,239	419,577
	772,117	1,234,362	1,523,736	2,004,726
	Value of new tender contracts awarded during the period from April to July 2019 but commenced after the period end			93,276(6)
				2,098,002

	For the year ended 31 March			For the four months ended 31 July
	2017	2018	2019	2019
Range of contract period (months)				
— Government sector customers	24–36	24–36	24–36	24–36
— Non-government sector customers .	12–24	12–24	12–24	12–24
Range of approximate value of tender contracts (HK$'000)				
— Government sector customers	21,361–142,093	21,361–161,001	26,175–161,001	23,644–161,001
— Non-government sector customers .	22,680–85,114	21,080–85,114	21,080–101,983	21,080–101,983

Notes:

(1) Subsisting tender contracts at the beginning of year/period refer to tender contracts that we had entered into during the preceding year/period and: (a) performance of service had not commenced yet; or (b) performance of service had commenced but had not yet been completed at the time.

(2) New tender contracts awarded and commenced during the year/period refer to tender contracts newly secured by the Company during the year/period with the revenue recognised in the same year/period (inclusive of renewal tender contracts). Among the new tender contracts awarded and commenced during the relevant year/period, the number of renewal tender contracts was 11, 22, 14 and 12 and the number of new tender contracts (exclusive of renewal tender contracts) was 10, 12, 10, 8 for the year ended 31 March 2017, 2018 and 2019 and the four months ended 31 July 2019, respectively.

(3) Expired tender contracts refer to tender contracts for which we had completed performance of service during the year/period.

(4) Subsisting tender contracts at the end of year/period refer to tender contracts for which performance of service had commenced but had not yet been completed at the time.

(5) The revenue recognised during the year/period represents the income apportioned to the corresponding year/period based on the terms of the contracts.

(6) Total value for Major Tender Contracts (newly awarded from April to July 2019) of approximately HK$993,969,000 is equivalent to the summation of (a) value of new tender contracts awarded and commenced during the period from April to July 2019 of approximately HK$900,693,000 and (b) value of new tender contracts awarded during the period from April to July 2019 but commenced after the period end of approximately HK$93,276,000.

Quotations

Our customers requested us to provide quotations for their requested services from time to time. Our quotations submission generally included the scope of works, the service period, the insurance requirements and the termination details. Our customers usually accepted our price quotations by (i) emails; (ii) signed quotations; and (iii) agreements. For the principal terms and conditions among our services agreements entered into after the request for quotation, please refer to "Business — Service Contracts — Quotations" of this prospectus.

Our customers

During the Track Record Period, we provided environmental cleaning solutions to two types of customers, which are government and non-government sector customers in Hong Kong. All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of the five largest customers of our Group during the Track Record Period. To the best knowledge of our Directors, none of our five largest customers during the Track Record Period are our suppliers. For details of our customers, please refer to "Business — Customers, sales and marketing — Customers" of this prospectus.

Our top five customers accounted for approximately 61.8%, 59.2%, and 64.0% of our total revenue for years ended 31 March 2017, 2018 and 2019, respectively, while approximately 30.4%, 24.7%, and 27.8% of our total revenue were attributable to our largest customer for the same year/period. The Directors believe that we are not reliant on any single customer. For details of our customers, please refer to "Business — Customers, sales and marketing — Customer concentration".

Our suppliers

Our suppliers included supplies of consumables, equipment and third-party workers. Our suppliers mainly provide us human resources, motor vehicle rental and maintenance services and supply cleaning materials to us. During the Track Record Period, our top five suppliers were all Independent Third Parties. For each of the years ended 31 March 2017, 2018 and 2019, our cost of services of both goods and service from the five largest suppliers were approximately 7.1%, 5.9%, and 7.0%, respectively of the total cost of services, while our cost of services from the largest supplier were approximately 3.2%, 3.1%, and 2.7%, respectively of the total cost of services.

Our Directors confirm that we did not have any significant dispute or experience any material shortage or delay in supply from with any of our service providers and other suppliers during the Track Record Period. None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers are also our customers during the Track Record Period. For details of our suppliers, please refer to "Business — Suppliers and service providers — Suppliers".

Competitive strengths and business strategies

Our Directors believe our competitive strengths will continue to serve as the principal drivers to our growth and distinguish us from our competitors: (i) a leading environmental hygiene service provider in Hong Kong, which has a long history under the established brand "Johnson"; (ii) long-standing and stable relationship with key customers in both government and non-government sectors; (iii) we have competitive edge in the government sector; (iv) we are capable to undertake sizeable project; (v) stringent safety, quality and environmental control system; and (vi) highly experienced management.

In furtherance to our vision of sustainable growth and maintaining our leading position in the environmental hygiene service industry, we intend to adopt the following strategies: (i) enhance our ability to undertake new projects and improve our operational efficiency; (ii) expand the variety of our services; and (iii) upgrading our hardware and software and recruiting talents to cope with our business growth and enhance the quality of our service.

SHAREHOLDERS' INFORMATION

Immediately following completion of the Global Offering, Hong Kong Huafa, HJ Capital (International) and Canvest (China) will legally and beneficially hold 42.00%, 2.25% and 30.75% of our issued Shares, respectively.

As at the Latest Practicable Date, Hong Kong Huafa is wholly owned by Zhuhai Huafa. Zhuhai Huafa is a large state-owned conglomerate based in Zhuhai, the PRC. It has business operations in other major PRC cities including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Suzhou, Wuxi etc.. Hong Kong Huafa is an investment holding company based in Hong Kong and is a subsidiary of Zhuhai Huafa. As at the Latest Practicable Date, Zhuhai Huafa through Hong Kong Huafa and Huajin Investment indirectly holds 36.88% of the issued shares of HJ Capital (International), whose shares are listed on the Main Board of the Stock Exchange. Based on the aforesaid, Zhuhai Huafa through its subsidiaries, Hong Kong Huafa, Huajin Investment and HJ Capital (International), is entitled to and together are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following completion of the Global Offering, and thus Zhuhai Huafa, Hong Kong Huafa, HJ Capital (International) and Huajin Investment are considered as a group of Controlling Shareholders ("**Huafa Controlling Shareholders**").

Canvest Environmental and its subsidiaries are principally engaged in the provision of environmental hygiene and related services and operating and managing waste-to-energy plants in the PRC. Each of Canvest (China), Yi Feng, Canvest Environmental, Best Approach Developments Limited, Century Rise Development Limited, Harvest Vista Company Limited, Ms. Lee, Wing Yee Loretta and Mr. Lai, Kin Man is entitled to and together are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following completion of the Global Offering, and thus are considered as our Controlling Shareholders ("**Canvest Controlling Shareholders**") and a group of controlling shareholders (as defined under the Listing Rules).

Accordingly, Huafa Controlling Shareholders, Canvest Controlling Shareholders and HSBC International Trustee Limited in the capacity of the trustee of Harvest VISTA Trust are considered as our Controlling Shareholders. See "Relationship with our controlling shareholders — Overview" for further details of our controlling shareholders.

Competition

Our Directors are of the view that we are capable of managing our business independently from Huafa Controlling Shareholders, Canvest Controlling Shareholders and their respective close associates. See "Relationship with our controlling shareholders — Competition" for further details.

KEY OPERATIONAL AND FINANCIAL DATA

Key financial data

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Revenue	1,204,063	1,286,021	1,433,383
Cost of services	(1,115,364)	(1,190,469)	(1,329,857)
Gross profit	88,699	95,552	103,526
Other income	1,049	768	327
Other gains and losses	8,242	7,269	297
Administrative expenses	(38,304)	(54,876)	(69,006)
Profit from operations	59,686	48,713	35,144
Finance costs	(6,967)	(6,785)	(6,908)
Profit before tax	52,719	41,928	28,236
Income tax expense	(8,381)	(5,997)	(6,429)
Profit for the year	44,338	35,931	21,807
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year, net of tax	44,338	35,931	21,807
Less:			
Fair value gain on financial assets at FVTPL	(3,617)	(975)	(279)
Gain on disposal of financial assets at FVTPL	—	(5,511)	—
Add:			
Listing expenses	—	—	12,173

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Non-HKFRS information			
Adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) [(1)]	40,721	29,445	33,701

Note:

(1) Adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) is calculated by profit for the year excluding the fair value gain on and gain on disposal of financial assets and Listing expenses charged in the relevant year. The terms of adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) is not defined under HKFRS. For details, please refer to the paragraph headed "Financial Information — Selected line items in the consolidated statements of profit or loss and other comprehensive income — Non-HKFRS measures" in this prospectus.

Non-HKFRS measures

In addition to the HKFRS measures in our consolidated financial information, we also use the non-HKFRS financial measure of adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) to evaluate our operating performance as it reflects the profit generated by our ordinary and usual course of business. We believe that this non-HKFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Our net profit (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) decreased by approximately 27.7% or HK$11.3 million from approximately HK$40.7 million for the year ended 31 March 2017 to approximately HK$29.4 million for the year ended 31 March 2018, was mainly due to increase in administrative expenses of approximately 43.3% or HK$16.6 million. The increase was primarily due to (i) the increase in directors' remuneration mainly as a result of the bonus for the year ended 31 March 2017 was concluded and agreed during the year ended 31 March 2018 and the adoption of new bonus scheme during the year ended 31 March 2018, resulting an increase in directors' remuneration of approximately HK$9.3 million during the year ended 31 March 2018; (ii) the increase in staff costs of approximately HK$3.1 million as a result of the increase of the salaries of our administrative staff; and (iii) the increase in professional fees of approximately HK$1.7 million mainly for the increase in the costs and disbursements of employees-related claims.

Our net profit (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) increased by approximately 14.6% or HK$4.3 million from approximately HK$29.4 million for the year ended 31 March 2018 to approximately HK$33.7 million for the year ended 31 March 2019, mainly due to the increase in our gross profit as a result of our increase in revenue in street cleaning service. The increase in revenue in street cleaning service was primarily due to the additional of three new service contracts in 2018.

Our net profit (excluding Listing expenses) decreased by approximately 5.3% or 1.9 million from approximately HK$35.9 million for the year ended 31 March 2018 to approximately HK$34.0 million for the year ended 31 March 2019, mainly due to the decrease in other gains and losses of approximately 95.9% or HK$7.0 million, which is mainly caused by the absence of one-off gain on disposal of financial assets at FVTPL during the year ended 31 March 2019.

For further information, please refer to the section headed "Financial Information — Period to period comparison of results of operations — Year ended 31 March 2019 compared to year ended 31 March 2018".

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 March			As at 31 July
	2017	**2018**	**2019**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Current assets				
Prepaid land lease payments	652	652	652	652
Account receivables	186,359	236,794	268,763	431,608
Prepayments, deposits and other receivables	5,726	5,666	8,411	13,669
Current tax assets	—	3,280	1,420	—
Pledged bank deposits	12,816	19,860	16,360	16,428
Bank and cash balances	59,566	73,929	87,297	80,650
	265,119	340,181	382,903	543,007
Current liabilities				
Account payables	12,763	12,271	13,840	15,834
Accruals, other payables and provisions	113,704	116,303	151,191	183,568
Shareholders' loans	25,050	—	—	—
Bank borrowings	54,051	115,064	113,749	252,720
Finance lease payables	2,958	2,172	2,715	2,684
Lease liabilities	—	—	—	241
Current tax liabilities	1,465	—	—	966
	209,991	245,810	281,495	456,013
Net current assets	55,128	94,371	101,408	86,994

Our current assets mainly consists of account receivables of approximately HK$186.4 million, HK$236.8 million, HK$268.8 million and HK$431.6 million at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively. Our current liabilities mainly consists of accruals, other payables and provisions of approximately HK$113.7 million, HK$116.3 million, HK$151.2 million and HK$183.6 million at 31 March 2017, 2018 and 2019 and 31 July 2019.

For further information, please see "Financial Information — Liquidity and financial resources — Net current assets".

The following table is a condensed summary of our consolidated statements of cash flows for the years/periods indicated:

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Operating cash flow before movement in working capital	77,166	55,495	52,710
Net cash generated from/(used in) operating activities	59,738	(11,193)	40,608
Net cash generated from/(used in) investing activities	19,156	15,974	(15,958)
Net cash (used in)/generated from financing activities	(27,341)	9,582	(11,282)
Net increase in cash and cash equivalents	51,553	14,363	13,368
Cash and cash equivalents at the beginning of the year	8,013	59,566	73,929
Cash and cash equivalents at the end of the year	59,566	73,929	87,297

Our Group had net cash outflow from operating activities for the year ended 31 March 2018. We recorded net cash used in operating activities of approximately HK$11.2 million for the year ended 31 March 2018 mainly due to (i) the decrease in profit before tax; and (ii) the increase in account receivables which was in line with the revenue growth, coupled with slightly slower progress in the settlement by our customers. In order to enhance our operating cash position, going forward, our Group has strengthened the internal policy to control the account receivables in various aspects, including, among others, monitoring of the progress of receivables collection and enhancing the discussion with customers regarding the delay of payment. Please refer to the section headed "Financial Information — Description on Major Components of Statements of Financial Position — Account Receivables — Our policy to Control the Account Receivables Turnover Days" in this prospectus for further details. Subsequently, we reported net cash generated from operating activities of HK$40.6 million for the year ended 31 March 2019, compared to the net cash used in operating activities for the year ended 31 March 2018, mainly due to (i) the increase in the collection of amount from customers driven by the increase in sales for the year ended 31 March 2019; and (ii) the increase in accruals and other payables. However, such increase in sales, in particular, during the last quarter of the year ended 31 March

2019 when compared with the same period of the year ended 31 March 2018, led to increase in our accounts receivables as at 31 March 2019, which led to a slightly increase in our accounts receivable turnover days from approximately 60 days for the year ended 31 March 2018 to approximately 64 days for the year ended 31 March 2019.

Our net cash generated from investing activities decreased by approximately 16.7% or HK$3.2 million from approximately HK$19.2 million for the year 31 March 2017 to approximately HK$16.0 million for the year ended 31 March 2018 mainly due to (i) increase in pledged bank deposits which was in line with more bank loans were drawdown to provide liquidity for our Group's operation as we repaid shareholders' loans and paid out dividend during the year; and (ii) proceeds from disposal of financial assets at FVTPL during the year ended 31 March 2018, offset by less proceeds from disposals/written off of property, plant and equipment as our Group disposed of certain motor vehicles after a sizeable contract expired in June 2016. We recorded net cash used in investing activities increased to approximately HK$16.0 million for the year ended 31 March 2019, compared to net cash generated from investing activities of approximately HK$16.0 million for the year ended 31 March 2018, was mainly due to (i) purchase of certain motor vehicles for newly awarded contracts for street cleaning; and (ii) the decrease in pledged bank deposits mainly due to the change in pledged bank deposit requirements from banks.

We recorded net cash used in financing activities of approximately HK$27.3 million for the year ended 31 March 2017 and net cash generated from financing activities of approximately HK$9.6 million for the year ended 31 March 2018 mainly due to the increase in drawdown of bank loans and factoring loans during the year ended 31 March 2018. Our net cash used in financing activities for the year ended 31 March 2019, compared to the net cash generated from financing activities for the year ended 31 March 2018, was mainly due to the increase in repayment of bank loans during the year.

For further information, please see "Financial Information — Liquidity and financial resources — Cash flow of our Group".

Key financial ratio

The following table sets forth the key financial ratios of our Group during the Track Record Period:

		For the year ended/as at 31 March		
	Notes	**2017**	**2018**	**2019**
Current ratio	*1*	1.3	1.4	1.4
Quick ratio	*2*	1.3	1.4	1.4
Gearing ratio	*3*	69.9%	88.7%	76.9%
Net debt to equity ratio	*4*	19.5%	35.6%	22.7%
Return on equity	*5*	37.5%	25.8%	13.5%
Return on assets	*6*	13.3%	9.1%	4.8%
Interest coverage	*7*	8.6	7.2	5.1
Gross margin	*8*	7.4%	7.4%	7.2%
Net profit margin	*9*	3.7%	2.8%	1.5%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

3. Gearing ratio is calculated by dividing total debts by total equity and multiplying the resulting value by 100%. Our total debts include interest-bearing borrowings and obligations under finance leases.

4. Net debt to equity ratio is calculated by dividing net debt by total equity and multiplying the resulting value by 100%. Net debt is defined to include total debts net of bank and cash balances.

5. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.

6. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.

7. Interest coverage is calculated by dividing profit before interest and tax by finance costs.

8. Gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of services.

9. Net profit margin is calculated by dividing profit for the year/period by revenue and multiplying the resulting value by 100%.

For further information, please see "Financial Information — Key financial ratios".

RECENT DEVELOPMENTS

Recent Development and material adverse change

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 451 tenders and we had been awarded with 36 tender contracts with aggregate tender contract sum amounted to approximately HK$229.3 million. 17 of them, among which eight were new tender contracts and nine were renewal tender contracts, were awarded by our government sector customers with contractual terms ranging from two to 36 months and 19 of them, among which nine were new tender contracts and 10 were renewal tender contracts, were awarded by our non-government sector customers for cleaning services with contractual terms ranging from 12 to 36 months. The aggregate tender contract sum for such awarded tender contracts from our government sector customers and non-government sector customers amounted to approximately HK$119.4 million and HK$109.9 million, respectively. As at the Latest Practicable Date, 119 tender results for the 451 tenders submitted by us are yet to be released.

Furthermore, we expect that the revenue from our park and recreation center cleaning service will contribute to the growth of our business. The revenue from park and recreation center cleaning service will potentially increase after the Track Record Period mainly due to the award of a new service contract with a contract sum amounted to approximately HK$377.6 million and the renewal of an existing service contract with a contract sum of approximately HK$379.8 million by Customer B. Our Directors consider that these service contracts are able to generate us a stable income after taking into account the fact that (i) we had business with Customer B for more than 20 years; (ii) the total contract value for both service contracts of approximately HK$757.4 million; and (iii) the contract period for both service contracts is fixed for three years.

As at 31 July 2019, we had successfully collected approximately HK$242.9 million, or 90.2% of the outstanding balance of our trade receivables as at 31 March 2019. Increase in our account receivables as at 31 March 2019 was mainly due to the increase in revenue as a result of the additional service contracts. As at 31 July 2019, approximately HK$13.8 million or 100% of our amount payables outstanding as of 31 March 2019 were paid.

Major Tender Contracts awarded to us by business segments to be recognised on or before 31 March 2020, on or before 31 March 2021 and after 1 April 2021, respectively:

	Number of tender contracts on hand and/or awarded as at 31 July 2019 *(Note 1)*	Revenue recognised during the Track Record Period *(Note 2)*	Approximately remaining contract sum of tender contract value to be recognised after the Track Record Period *(Note 3)*	Approximate aggregate tender contract value to be recognised for the year ending 31 March 2020 *(Note 3)*	Approximate aggregate tender contract value to be recognised on or before 31 March 2021 *(Note 3)*	Approximate aggregate tender contract value to be recognised after 1 April 2021 *(Note 3)*	Range of remaining contract period as at 31 July 2019
		(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(Months)
Building cleaning service	23	120,103	422,662	206,600	166,441	49,621	2–33
Park and recreation center cleaning service	10	242,664	898,588	381,567	306,578	210,443	9–31
Street cleaning service	10	105,273	691,289	429,822	243,163	18,304	5–22
Institutional cleaning service	3	46,408	120,015	67,619	43,991	8,405	11–23
Other cleaning services	17	226,363	333,424	193,997	100,193	39,234	1-38
Total	63	740,811	2,465,978	1,279,605	860,366	326,007	1–38

Notes:

(1) The contracts without fixed contractual terms are excluded as the contract value to be recognised cannot be ascertained.

(2) The revenue recognised during the Track Record Period represents the income apportioned to the corresponding period based on the terms of the contract. Out of the revenue recognised during the Track Record Period as mentioned above, the revenue recognised in respect of the 63 major tender contracts for the three years ended 31 March 2019 amounted to approximately HK$18,384,000, HK$179,944,000 and HK$542,483,000 respectively (which represented approximately HK$740,811,000 in aggregate).

As our tender contracts generally have a contract period ranging from two to three years, only a small portion of the 63 major tender contracts as at 31 July 2019 has been awarded or commenced during the year ended 31 March 2017. Therefore, the contract value awarded and revenue recognized during 31 March 2017 was substantially lower than those during the years ended 31 March 2018 and 31 March 2019.

(3) The total remaining contract sum of all Major Tender Contracts awarded to us as at 31 July 2019 to be recognised after the Track Record Period is approximately HK$2,466.0 million.

As disclosed on page I-29 (i.e. note 8(b) to the Accountants' Report in Appendix I to this prospectus), the total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 (i.e. the remaining tender contract value to be recognised) is approximately HK$1,848.2 million. Set out below is the breakdown of such amount:

	Approximately HK$ million
Major Tender Contracts (which were subsisting since 31 March 2019)	1,472.0
Major Tender Contracts (which expired in April 2019 to July 2019)	51.7
Total value of Major Tender Contracts	1,523.7
Contracts other than the Major Tender Contracts	324.5
	1,848.2

The reconciliation of the remaining contract sum of all Major Tender Contracts (subsisting since 31 March 2019) to be recognised after the Track Record Period to all Major Tender Contracts (awarded to us as at 31 July 2019) to be recognised after the Track Record Period is as follows:

	Approximately HK$ million
Remaining value of Major Tender Contracts (subsisting since 31 March 2019)	1,472.0
Value for Major Tender Contracts (newly awarded from April to July 2019)	994.0
Remaining contract sum of all Major Tender Contracts (awarded to us as at 31 July 2019) to be recognised after the Track Record Period	2,466.0

For further details in relation to breakdown of total contract value awarded and revenue recognised in respect of the aforementioned 63 Major Tender Contracts as at 31 July 2019 during the Track Record Period, please refer to the section headed "Business — Service contracts — Backlog of tender contracts" in this prospectus.

Save for the impact of the Listing expenses as disclosed in the paragraph headed "Listing Expenses" in this section, which are expected to have an adverse impact to our financial results for the year ending 31 March 2020, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial, operational and/or trading position since 31 March 2019, being the date to which our most recent audited consolidated financial information were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial information included in the Accountants' Report of the Group set out in Appendix I of this prospectus.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.00	Based on an Offer Price of HK$1.20
Market capitalisation of our Shares at Listing *(Note 1)*	HK$500,000,000	HK$600,000,000
Unaudited pro forma adjusted consolidated net tangible asset per Share *(Note 2)*	HK$0.52	HK$0.57

Note:

1) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraph and on the basis that 500,000,000 shares are expected to be in issue following the Global Offering (including 125,000,000 shares newly issued upon the Global Offering) and the respective Offer Prices of HK$1.00 and HK$1.20 per Offer Share.

2) See "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details regarding the assumptions used and the calculations method.

DIVIDENDS

Our Group paid dividends of approximately NIL, HK$15.0 million and NIL to the then shareholders during the years ended 31 March 2017, 2018 and 2019. Our Group currently does not have a fixed dividend policy and we may distribute dividends by way of cash or by other means that our Directors consider appropriate following the completion of the Global Offering. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. For further details of the dividend policy, please see "Financial Information — Dividends".

LISTING EXPENSES

Our estimated Listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming an Offer Price of HK$1.1 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by the Company are estimated to be approximately HK$37.5 million, of which approximately HK$15.4 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$22.1 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK$12.6 million were charged to the consolidated statements of profit or loss and other comprehensive income during the Track Record Period, and approximately HK$9.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2020. The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.10 per Share, being the mid-point of the Offer Price range between HK$1.00 and HK$1.20, we expect to receive net proceeds from the Global Offering of approximately HK$100.0 million, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. For further details, please refer to the section headed "Future plans and use of proceeds" in this prospectus. We presently intend to apply such net proceeds as follows:

- approximately HK$34.8 million (or approximately 34.8% of our net proceeds) will be used for financing the upfront cost to manage the cash flow mismatch between salaries payment and collection of sales receipt;

- approximately HK$19.0 million (or approximately 19.0% of our net proceeds) will be used for enhancing our operational efficiency and quality of our environmental hygiene service by upgrading our hardware and software as well as recruiting additional talents mainly for contracting and operation department; and

- approximately HK$17.4 million (or approximately 17.4% of our net proceeds) will be used for acquiring suitable new specialised motor vehicles for rendering environmental hygiene service;

- approximately HK$17.0 million (or approximately 17.0% of our net proceeds) will be used for development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of fleets;

- approximately HK$5.8 million (or approximately 5.8% of our net proceeds) will be used for the purchase of suitable new automated cleaning machineries and equipment mainly for rendering environmental hygiene service;

- the remaining amount of approximately HK$6.0 million (or approximately 6.0% of our net proceeds) will be used for general working capital.

For more details, please see "Future plans and use of proceeds" of the prospectus.

Risk Factors

Our operations involve certain risks and uncertainties that are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business, (ii) risks relating to our industry; (iii) risks relating to the Global Offering and our shares; and (iv) risks relating to statements in the prospectus. Some of the key risks are summarized as follows:

- Our revenue is derived from service contracts awarded through tendering processes or quotations submission and there is no guarantee that our customers will award new service contracts to us or renew our existing service contracts in the future.

- We make estimation of project costs when we submit tender or quotations and our profitability may be adversely affected if we inaccurately estimate the costs involved in the implementation of any project.

- We face liquidity risk in relation to working capital requirements associated with service contract.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" of this prospectus in deciding whether to invest in our Shares.

COMPLIANCE AND LITIGATION

During the Track Record Period and as at 31 July 2019, our Group has been or was involved in a number of claims and litigations. Our Directors confirm that none of the claims (whether settled or ongoing) were results of material non-compliance of any regulations or laws during the Track Record Period. We were subject to 44 ongoing litigations, out of which 22 were Ongoing Major Litigations, against our Group as at 31 July 2019. In addition, there could be potential litigations including (i) as at 31 July 2019, 19 ongoing or settled employees' compensation claims for which the subject persons can possibly commence common law personal injury legal actions; and (ii) from the period of 1 August 2016 to 31 July 2019, 678 reported work-related accidents and injuries for which no legal action has commenced against our Group. Our Company believes that these potential liabilities arising from ongoing or potential litigations (even materialised) would not have material impact on our Group's financial performance and business operation. See "Business — Litigations and claims" of this prospectus for details.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings in this prospectus. Certain other terms are explained in the section headed "Glossary of Technical Terms".

"Accountants' Report"	the accountants' report on the Group as set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Forms(s) or, where the context so requires, any of them, in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of the Company adopted on 3 September 2019 with effect from Listing and as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Canvest (China)"	Canvest Environmental (China) Company Limited (粵豐環保(中國)有限公司), a company incorporated in the BVI on 24 January 2017, a direct wholly-owned subsidiary of Yi Feng which in turn is wholly-owned by Canvest Environmental, and one of our Controlling Shareholders
"Canvest Controlling Shareholders"	Canvest (China), Yi Feng, Canvest Environmental, Best Approach Developments Limited (臻達發展有限公司), Century Rise Development Limited (誠朗發展有限公司), Harvest Vista Company Limited, Ms. Lee, Wing Yee Loretta and Mr. Lai, Kin Man

"Canvest Environmental"	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated in the Cayman Islands on 28 January 2014 whose shares are listed on the Main Board of the Stock Exchange (stock code: 1381), and one of our Canvest Controlling Shareholders
"Cayman Companies Law" or "Companies Law"	Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEO"	the chief executive officer of our Company
"Chairman"	the chairman of the Board
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Co-lead Manager"	KGI Capital Asia Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "the Company" or "the Company"	Hong Kong Johnson Holdings Co., Ltd. (香港莊臣控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 9 July 2018 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 December 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Huafa Controlling Shareholders, Canvest Controlling Shareholders and HSBC International Trustee Limited, being the trustee of The Harvest VISTA Trust, particulars of which are set out in the section headed "Relationship with our Controlling Shareholders" in this prospectus
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 23 September 2019 executed by Hong Kong Huafa and Canvest (China) in favour of our Company (for themselves and as trustee for each of its present subsidiaries) on the terms as more particularly set out in the section headed "Statutory and General Information — Other Information — 1. Tax and other indemnity" in Appendix IV to this prospectus
"Director(s)"	the director(s) of the Company
"Elstone Securities"	Elstone Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities under the SFO
"Frost & Sullivan" or "Industry Expert"	Frost & Sullivan International Limited, an Independent Third Party, being a professional market research and consulting company
"Global Offering"	the International Offering and the Hong Kong Public Offering
"**GREEN** Application Form(s)"	the form(s) of application to be completed by the **HK eIPO White Form** Service Provider

"Group", "our Group", "our Group", "we", "us" or "our"	the Company and its subsidiaries following the completion of the Reorganisation, or where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the present subsidiaries of the Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors
"HJ Capital (International)"	HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司) (formerly known as iOne Holdings Limited), a company incorporated in Bermuda on 24 January 2008, whose shares are listed on the Main Board of the Stock Exchange (stock code: 982) and are indirectly owned as to 36.88% by Zhuhai Huafa through Huajin Investment, and is one of our Huafa Controlling Shareholders
"**HK eIPO White Form**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of **HK eIPO White Form** Service Provider at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HK$", "HKD", "Hong Kong dollars" or "Hong Kong cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Government"	the government of the Hong Kong Special Administrative Region

"Hong Kong Huafa"	Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司), a company incorporated in Hong Kong on 25 January 2013 with limited liability, a direct wholly-owned subsidiary of Zhuhai Huafa and one of our Huafa Controlling Shareholders
"Hong Kong Johnson Investments (BVI)"	Hong Kong Johnson Investments (BVI) Company Limited, a company incorporated in the BVI on 1 July 2015 and an Independent Third Party, a former shareholder of Johnson Hong Kong
"Hong Kong Legal Counsel"	Mr. Eugene W.T. Yim, barrister-at-law in Hong Kong, advising the Company with regard to matters relating to Waste Disposal Ordinance (Cap. 354)
"Hong Kong Offer Shares"	the 12,500,000 newly issued Shares offered by the Company for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares by the Company for subscription by members of the public in Hong Kong at the Offer Price (plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy) (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering, who are listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement(s)"	the Hong Kong underwriting agreement(s) dated 26 September 2019 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriter(s), particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Huajin Investment "	Huajin Investment Company Limited (鏵金投資有限公司), a company incorporated in Samoa on 1 April 2014, a direct wholly-owned subsidiary of Hong Kong Huafa which in turn is wholly-owned by Zhuhai Huafa and one of our Huafa Controlling Shareholders

"Huajin Securities (International)"	Huajin Securities (International) Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activities as defined under the SFO and is a wholly-owned subsidiary of HJ Capital (International)
"Huafa Controlling Shareholders"	Zhuhai Huafa, Hong Kong Huafa, Huajin Investment and HJ Capital (International)
"Independent Third Party(ies)"	person(s) or company(ies) which, to the best of our Directors' knowledge having made all due and careful enquiries, is/are independent of and not connected with any Directors, chief executive and the substantial shareholders of the Company, its subsidiaries or any of their respective associates and not otherwise a connected person of the Company (within the meaning of the Listing Rules)
"Industry Report"	the industry report prepared by Frost & Sullivan on the environmental hygiene service market in Hong Kong, the content of which is quoted in this prospectus
"INEDs"	independent non-executive directors of our Company
"International Offer Shares"	the 112,500,000 Shares being initially offered by the Company for subscription under the International Offering together, where relevant, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Shares by the International Underwriter(s) at the Offer Price to selected professional, institutional and private investors as set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriter(s)"	the underwriter(s) of the International Offering, who are expected to enter into the International Underwriting Agreement(s) to underwrite the International Offer Shares
"International Underwriting Agreement(s)"	the conditional underwriting agreement relating to the International Offering expected to be entered into between the Company and the International Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus

"Johnson BVI"	Johnson Investment Holding Co., Ltd. (莊臣投資控股有限公司), a BVI business company incorporated in the BVI on 10 August 2018 and a direct wholly-owned subsidiary of the Company
"Johnson Hong Kong"	Johnson Cleaning Services Company Limited (莊臣有限公司) (formerly known as Chiyoda Services Limited), a company incorporated in Hong Kong on 10 March 1989 with limited liability, a direct wholly-owned subsidiary of Johnson BVI, which in turn is wholly owned by the Company
"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	Southwest Securities Brokerage, Huajin Securities (International) and Elstone Securities
"Latest Practicable Date"	20 September 2019, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, 16 October 2019, on which the Shares are listed and on which dealings the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Division"	the listing division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on 3 September 2019 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$1.2 per Offer Share and not less than HK$1.0 per Offer Share, such price to be determined as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Share(s)"	collectively, the International Offer Shares and the Hong Kong Offer Shares
"PRC" or "China"	the People's Republic of China, which for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	GFE Law Office, our legal advisers as to PRC law
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Price Determination Agreement"	the agreement to be entered into between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Thursday, 3 October 2019 (or such later date as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and the Company, on which the Offer Price is to be fixed, but in any event not later than Wednesday, 9 October 2019, on which the Offer Price is to be fixed
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures 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 share capital of the Company
"Share Subdivision"	the subdivision of each share of HK$0.10 each in the then authorised share capital of our Company from 37,500,000 shares of HK$0.10 each to 375,000,000 Shares of HK$0.01 each, the details of which are described in "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor" or "Southwest Securities Capital"	Southwest Securities (HK) Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Sole Sponsor of the Global Offering
"Southwest Securities Brokerage"	Southwest Securities (HK) Brokerage Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires

"substantial shareholder(s)"	has the meanings as ascribed to it under the Listing Rules
"Takeovers Codes"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended 31 March 2017, 2018 and 2019
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the International Underwriter(s) and the Hong Kong Underwriter(s)
"Underwriting Agreements"	the International Underwriting Agreement(s) and the Hong Kong Underwriting Agreement(s)
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "US dollar(s)"	United States dollar(s), the lawful currency of United States
"**WHITE** Application Form(s)"	the form(s) of application for use by members of the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the form(s) of application for use by members of the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yi Feng"	Yi Feng Development Limited (億豐發展有限公司), a BVI business company incorporated in the BVI on 3 May 2012, a direct wholly-owned subsidiary of Canvest Environmental and one of our Canvest Controlling Shareholders
"Zhuhai Huafa"	Zhuhai Huafa Group Company Limited* (珠海華發集團有限公司), a state-owned company established in the PRC on 14 May 1986 and one of our Huafa Controlling Shareholders
"%"	per cent.

* *for identification purpose only*

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus are as of the Latest Practicable Date.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English names of the entities, laws or regulations, and the governmental authorities of the PRC referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "" is for identification purpose only.*

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to the Company and as they are used in this prospectus in connection with our business and us. These terms and their given meanings may not correspond to standard industry definitions.

"BSI"	British Standards Institution, a national standards body of United Kingdom
"CAGR"	compound annual growth rate
"Collection Authority"	FEHD and/or EPD
"EPD"	the Environmental Protection Department of Hong Kong
"FEHD"	the Food and Environmental Hygiene Department of Hong Kong
"GDP"	gross domestic product
"GFA"	gross floor area
"HKFRS"	Hong Kong Financial Reporting Standards
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	ISO 9001 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"ISO 14001"	ISO 14001 is an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
"I.T." or "IT"	information technology

"Major Tender Contracts"	tender contracts constituting the major projects with an aggregate contract sum of HK$20.0 million or above
"OHSAS 18001"	an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
"ORSO"	the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) as amended, supplemental or otherwise modified from time to time.
"sq. ft."	square feet
"WDO"	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

This prospectus contains, and the documents incorporated by reference herein may contain forward-looking statements that represent, or involve discussions as to, beliefs, expectations, future events or performance, goals, intentions, objectives or plans, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are, by their nature, subject to significant risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as “aim”, “anticipate”, “aspire”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “goals”, “going forward”, “intend”, “may”, “objective”, “ought to”, “outlook”, “plan”, “potential”, “project”, “seek”, “schedules”, “should”, “target”, “vision”, “will” and “would”. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless are not historical facts and involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, but not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our dividend distribution plans;
- our planned use of proceeds;
- our operations, business and financial prospects, including development plans for our business and future cash flow;
- our capital commitment plans;
- our operations and business prospects;
- the future competitive environment for the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- relationships with parties we contract and collaborate with to conduct our business;
- risks identified under the section headed “Risk Factors” in this prospectus; and
- general economic trends.

The words “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “ought to”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” and other similar expressions, as they relate to us (other than in relation to our profits, results of operations and earnings), are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Please refer to the sections headed “Risk Factors”, “Business” and “Financial Information” of this prospectus for more details.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements.

Except as required by applicable laws and regulations, including the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in the Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or the trading price of the Shares, and could cause you to lose all or part of your investment.

Our operations involve certain risks and uncertainties that are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business, (ii) risks relating to our industry; (iii) risks relating to the Global Offering and our Shares; and (iv) risks relating to statements in the prospectus. There may also be additional risks and uncertainties that are presently not known to us or not expressed or implied or that our Directors deem immaterial. All of these risks and uncertainties could harm our business, financial position and results. You should consider the performance and prospects of our business in the light of these risks and uncertainties.

RISKS RELATING TO OUR BUSINESS

Our revenue is derived from service contracts awarded through tendering processes or quotations submission and there is no guarantee that our customers will award new service contracts to us or renew our existing service contracts in the future.

Our revenue is generated from service contracts awarded through tendering processes or quotations submission. In order to maintain or expand our business, we have to submit new tender and quotation from time to time. There is no guarantee that we can successfully obtain the service contracts in the future as it is subject to our ability to meet the requirements imposed by our customers. So far as the Directors are aware, most of our customers impose certain mandatory tendering requirements. For details of mandatory tendering requirements, please refer to "Business — Service Contracts — Mandatory tendering requirements" of this prospectus. If we are unable to meet requirements in tendering or quotation, our customers may not award new service contracts to us and furthermore, our reputation, business operations, financial results and profitability may be adversely affected. Even if we are able to meet the pre-requisite requirements, there is no assurance that (i) we are aware of the tendering process or invited for quotation; or (ii) the terms and conditions of the new service contracts will be comparable to the existing service contracts; or (iii) our tenders or quotation will be selected by customers.

According to the terms and conditions of service contracts, our customers might terminate service contracts by serving written notice to us if, for example, we are in material breach of the terms and conditions of the service contracts. We cannot assure you that our customers will not terminate the existing service contracts prior to the end of such service contracts. In addition, if we are unable to renew existing service contracts and/or obtain new service contracts through tendering processes or quotations submission, our financial results, profitability/or business growth would be adversely affected.

A significant percentage of our revenue is derived from our major customers.

During the Track Record Period, we derived a significant percentage of our revenue from our major customers. For each of the years ended 31 March 2017, 2018 and 2019, revenue generated from our top five customers accounted for approximately 61.8%, 59.2%, and 64.0% of our total revenue respectively. Revenue generated from our largest customer, which is a department of the Hong Kong Government responsible for overseeing food and environmental hygiene, accounted for approximately 30.4%, 24.7%, and 27.8% of our total revenue respectively.

There is no assurance that we can maintain the business relationships with our major customers upon the end of our existing service contracts. If we are not able to maintain the business relationships with our major customers, our major customers may substantially reduce the volume and/or value of environmental hygiene service procured from us and/or terminate their service contracts with us. We may not be able to obtain new service contracts from other customers to compensate for the loss of revenue on comparable terms or at comparable levels to fully utilise our service capacity in a short period of time. As a result, our business operations, financial results and profitability will be adversely affected.

We expect government sector customers will continue to be our major customer type in the near future. Therefore, should we fail to secure new or renew existing service contracts from government sector customers, or they decrease the volume and/or value of environmental hygiene service procured from us, it would pose an adverse impact on our business operations, financial results and profitability. There is no assurance that we can diversify the composition of our clientele to include more non-government sector customers to make up for any such loss of revenue from the government sector customers.

We make estimation of project costs when we submit tender or quotations and our profitability may be adversely affected if we inaccurately estimate the costs involved in the implementation of any project.

When we submit tender or quotations to our customers, we generally determine the tender price or quotation price after taking into consideration of various factors including but not limited to the expected increment of labour costs in accordance with the statutory minimum wage requirement, the complexity of services, project time frame and the prevailing economic conditions. Each service contract usually set out a fixed contract period and monthly service fee. We might adjust our service fees in certain circumstances as stipulated in the service contract and some of the contracts do not contain service fees adjustment mechanism. As a result, we might have to bear any additional costs incurred during the performance of service contracts, which may due to (i) inaccurate estimation of costs; (ii) changes in labour costs; (iii) changes in regulatory requirements; (iv) changes in economic conditions; and (v) unforeseen problems and circumstances.

Labour costs represent our Group's largest cost of services, any changes in labour costs might have a significant impact on our business operation, financial results and profitability. As at 31 March 2019, we had over 8,000 employees with majority of frontline workers in the operation department. As shown, our business operations are labour intensive. Although we took into consideration of the increment of labour costs before the submission of tender or quotations, we cannot guarantee that our profitability will not be adversely affected as a result of an unexpected increase in labour costs during the course of the contract period. For each of the years ended 31 March 2017, 2018 and 2019, our direct labour costs amounted to approximately HK$1,033.0 million, HK$1,111.3 million and HK$1,233.5 million, representing approximately 92.6%, 93.3% and 92.8% of our total cost of services during the respective year/period, and we expect our labour costs will continue to represent a significant percentage of our total cost of services. We are required to comply with, among others, the statutory minimum wage requirement. Please refer to the section headed "Regulatory Overview" in this prospectus for more information. There is no assurance that the statutory minimum wage will not be further revised upward in the future. In particular, given that under the Minimum Wage Ordinance, the statutory minimum wage in Hong Kong is reviewed at least once every two years and the new statutory minimum wage of HK$37.5 per hour has been effective since May 2019. If there is any further increase in the statutory minimum wage in the future, our cost of services may increase. According to the Industry Report, there was a general upward trend for the average wages of labour in the environmental hygiene service industry in Hong Kong, with an increase in average monthly salary of workers in the industry in Hong Kong from approximately HK$8,778.5 in 2013 to approximately HK$12,454.0 in 2018, representing a CAGR of approximately 7.2%. The increase in the average wages of labour will also drive up our cost of services.

There is no assurance that the cost of services we estimated before entering a service contract will not overrun during the course of the contract period. Our business operations, financial results and profitability may be adversely affected if the cost of services estimated at time of signing a service contract is lower than the actual cost of services due to the cost fluctuations as mentioned above.

Our customers may issue demerit points, terminate the service contract and forfeit the performance bonds if we fail to comply with or observe any requirement of the service contracts.

Some of our service contracts allow our customers to issue demerit points, terminate the contract and forfeit the performance bonds if we fail to comply with or observe any material obligations of the service contracts. Some of our customers keep a record of demerit points and the demerit points given to us will be taken into account by them in evaluating our future bids of their service contracts. For defaults such as the non-compliance with applicable law and regulation in the performance of the service contracts, our customers may also terminate the service contracts and forfeit the performance bonds provided to our customers. If our customers decide to issue demerit points to us, terminate the service contract and forfeit the performance bonds, our results of operation, tender successful chance, financial condition and our reputation may be adversely affected.

Our business operations are labour intensive, and any labour shortage or labour strikes may adversely affect our results of operation.

Some of our service contracts have penalty provisions for manpower shortages and we will be penalised if we do not provide sufficient manpower as stipulated in the relevant service contract. Due to the competition in our industry, we may experience difficulties in recruiting sufficient frontline workers to fulfill our obligations under our service contracts. Our business operations are labour intensive and we are subject to the risk of labour strikes from time to time.

If we experience labour shortage or labour strikes, we may be unable to deliver quality services or otherwise meet our contractual obligations, or we may face penalties for such shortages. In such events, our reputation and business operation will be adversely affected.

As our business operation is labour intensive, it is important to retain suitable frontline workers and attract new frontline workers for our business operation. According to the Industry Report, the environmental hygiene service market has a relatively higher turnover than other industries. The high turnover adds challenge to retain existing frontline workers and recruit new frontline workers. We cannot assure you that we will not face labour shortage in the future. If a significant number of our frontline workers resign in the future, it will have an adverse impact on our business operations.

We are subject to claims relating to work-related accidents and injuries and public liabilities relating to bodily injuries and property damages.

Our frontline workers are required to perform certain tasks such as working at height or on slippery floor, working in environments containing dust, dirt, viruses or bacteria, carrying heavy objects, in contact with cleaning chemicals such as bleach and detergents and operation of motor vehicles and cleaning machineries. As such, our frontline workers are exposed to the risk of physical injuries, diseases or death arising from the course of employment.

Since we are generally responsible for the first HK$2.0 million in respect of any claims indemnifiable under the employees' compensation insurance policy and the first HK$30,000 or 20% of loss (whichever is the greater) in respect of claims indemnifiable under the public liability insurance policy, we are exposed to claims below HK$2.0 million related to employees' workplace injuries and claims below HK$30,000 or 20% of the loss to injuries to non-employees and property damage at permises where we provide services. During the Track Record Period, all of the claims related to employee injuries did not exceed the insurance deductibles and were settled by our internal resources. Total historical expenses (including total compensations paid to the claimants, legal costs and disbursements) incurred by our Group in settlement of litigations and non-litigations claims against our Group arising out of work-related accidents and injuries amounted to approximately HK$2.3 million, HK$7.8 million and HK$11.0 million for the three years ended 31 March 2017, 2018 and 2019, respectively. As at 31 July 2019, there were 44 on-going litigation cases against our Group and 19 employees' compensation claims which were either ongoing or settled and are still subject to legal claims as the limitation period for personal injury claims has not lapsed. Based on the available information, the maximum total amount claimed in respect of 22 Ongoing Major Litigations against the Company, for which the total amount claimed is ascertainable, amounted to approximately HK$9.0 million as at 31 July 2019. In addition, from the period of 1 August 2016 to 31 July 2019, there were 678 reported cases on workplace injuries arising during usual and ordinary course of business of our Group but no further legal proceeding has been commenced in respect of such cases after reporting. Since the settlement amounts of the ongoing litigation cases have not been determined and it is possible that the subject of the aforesaid reported cases may claim against us under the Employees' Compensation Ordinance or pursue personal injury claims against us under the common law, we are exposed to claims with amount less than the insurance deductibles from the aforesaid cases. Increase in the number of frontline workers might potentially lead to more personal injuries during the course of work or at the premises where we provide services, which in turn increase the number of claims and litigations against us and would adversely affect our financial performance, business operation and reputation. If the number of claims and claimed amount increases, our expenditures will increase. For details of the claims and litigations during the Track Record Period, please refer to the section headed "Business — Litigations and Claims" of this prospectus.

Increase in insurance cost and the number of insurance claim may materially and adversely affect our business operations and financial results.

As required by Hong Kong law or our customers, we maintained insurance policies such as employees' compensation insurances, public liability insurances and motor vehicle insurance to cover our Group's liability arising from our business operations. For the years ended 31 March 2017, 2018 and 2019, the expense of our employees' compensation insurances was approximately HK$2.1 million, HK$1.7 million and HK$1.5 million respectively, representing approximately 0.2%, 0.1% and 0.1% of our total cost of services respectively, while the expense of our public liability insurances was approximately HK$1.1 million, HK$1.1 million and HK$1.1 million respectively, representing approximately 2.9%, 2.0% and 1.6% of our total administrative expenses respectively. Any increase in insurance costs and premiums may materially and adversely affect our business operations, financial condition and profitability.

In addition, our insurance policies may not cover all our risks or payments associated with our business and our insurers have not fully compensated us for all potential losses, damages or liabilities relating to our properties or our business operations as we are responsible for the insurance deductibles for each insurance claim depending on the terms of respective insurance policies. Please refer to the section headed "Business — Insurance" in this prospectus for details of our insurance coverage and insurance deductibles amount. If the number of insurance claims increases, our payment of insurance deductibles increase, our business operations, financial condition and profitability may be adversely affected in this respects.

Frontline workers who suffer bodily injury or death as a result of accidents or occupational diseases arising out of and in the course of their employment with us are entitled to claim damages against us under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the common law. Furthermore, we may face claims from third parties from time to time, including those who suffer personal injuries or property damage at premises where we provide services. Please refer to the section headed "Regulatory Overview" of this prospectus for more details.

We face liquidity risk in relation to working capital requirements associated with service contract.

We are generally required to provide performance bonds at a rate ranging from 2% to 20% of the total contract sum to our customers as security for due performance of our contractual obligations. As such, a portion of our capital is locked up for a prolonged period of time and thereby affecting our liquidity position.

Furthermore, we generally experienced time lags between making payments to our frontline workers and receiving payments from our customers, resulting in cash flow mismatch. During the Track Record Period, we generally pay salaries to our frontline workers shortly after the end of each month, while our credit terms of account receivables generally range from 14 to 90 days.

However, our government sector customers will generally make payment to us only if we have performed in accordance with the terms and conditions of the service contract to their satisfaction and our workdone have been certified and agreed by them. As a result, there is no assurance that our customers will make payment on time. During the Track Record Period, our account receivables turnover days were approximately 57 days, 60 days and 64 days, respectively, details of which are discussed in the section headed “Financial information — Account receivables — Account receivables turnover days” in this prospectus. In addition, to maintain liquidity for our operation, we obtained bank borrowings in the amount of approximately HK$54.1 million, HK$115.1 million and HK$113.7 million, respectively during the Track Record Period. Any delay in collecting our account receivables or failure to properly manage our liquidity position and working capital or reduction to our utilised banking facilities or unexpected demand for repayment from bank without timely replacement could materially and adversely affect our cash flows and financial position.

We are subject to credit risk in relation to account receivables from our customers. If our customers delay or even default on their obligations to pay, our liquidity and financial conditions may be materially and adversely affected.

The credit terms offered to our customers generally range from 14 to 90 days. As at 31 March 2017, 2018 and 2019, our account receivables amounted to approximately HK$186.4 million, HK$236.8 million and HK$268.8 million respectively, representing around 70% of the current assets for each of the financial year. There is no guarantee that all of our customers will settle payment as it falls due. Delay in settling receivables by our customers may affect our cash flows and increase our working capital needs. As at 31 March 2017, 2018 and 2019, accumulated impairment loss for bad and doubtful debts amounted to HK$536,000, HK$570,000 and HK$440,000 respectively. If any of our customers become insolvent or delay or default on its payment of our fees, our cash flow, business, results of operations and financial position could be adversely affected.

We had net cash outflow from operating activities for the year ended 31 March 2018, and if we continue to record negative operating cash outflow in the future, our liquidity and financial condition may be materially and adversely affected.

We had net cash outflow from operating activities of approximately HK$11.2 million for the year ended 31 March 2018, respectively. Such net cash outflow from operating activities was primarily attributed to the increase in account receivables. For the details of the increase in account receivables, please refer to “Financial information — Description on major components of statements of financial position — Account receivables”. If the settlement of our accounts receivable is delayed and the cashflow mismatch between our salaries payment for our frontline workers together with settlement to suppliers and the collection of sales proceeds increase, our liquidity and financial position may be materially and adversely affected, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. Although we may resort to other financing activities to generate additional cash, our finance costs will be increased, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Our loan may be accelerated and our bank facilities may be terminated if we are unable to comply with the financial covenants obliged to our lenders.

Some of our lender banks (the "**Relevant Banks**") impose several financial covenants on our Group, under which we are obliged, among others, to maintain the required net gearing ratio and net debt to EBITDA ratio. As at 31 July 2019, the additional loan available for further draw down amounted to approximately HK$4.7 million without breaching the financial covenants.

For more details, please refer to the section headed "Business — Reasons for the Listing and Global Offering" of this Prospectus.

We cannot assure you that our Group can always maintain the net gearing ratio and net debt to EBITDA ratio as required by the Relevant Banks and we cannot predict that there will be no change in the prospect of our Group's business, market conditions and other factors that may affect the liquidity position of our Group. Should our Group fails to maintain the said financial covenants, we may have committed an event of defaults under and the Relevant Banks may have the right to modify, terminate, cancel or suspend the banking facilities. This may lead to demand for immediate loan repayment by our Group which may cause significant reduction in our liquidity and material adverse effects on the business, financial conditions and results of operations of our Group.

We may be subject to the potential penalty arising from the tax non-compliance incidents.

During the Track Record Period, we had tax non-compliance incidents mainly related to our failure to submit notices and to make correct reportings to the Inland Revenue Department for our frontline workers and employees. For further information regarding the tax non-compliance incidents, please refer to "Business — Regulatory Non-Compliance" for details. According to the Inland Revenue Ordinance, the Inland Revenue Department has power to prosecute and/or impose penalty on us for our non-compliance incidents. As at the Latest Practicable Date, we had not received any notice of enforcement or penalty from the Inland Revenue Department regarding any of the tax non-compliance incidents referred in "Business — Regulatory Non-Compliance". We cannot guarantee that the Inland Revenue Department will not prosecute and/or impose penalty on us. If the Inland Revenue Department decides to prosecute and/or impose penalty on us, our financial results and profitability would be adversely affected.

Loss of key management may materially affect our operations.

Our success to date is largely attributable to the leadership and contributions of our management team as described in the section headed "Directors and Senior Management" of this prospectus. In particular, Mr Szeto and Mr Cheung are the founders who have been serving our Group for more than 25 years and most members of our senior management team have over 15 years of experience in the cleaning industry. They play an important role in the daily operation of our Group including overseeing the daily operation of our Group, formulating the overall strategies and planning business strategies of our Group and driving our business growth. Our continued success has therefore depended to a large extent on our ability to maintain stability in the composition of our management team, in particular, Mr. Szeto and Mr. Cheung. Any unanticipated departure of members of the management team without appropriate replacement in timely manner may have a material adverse impact on our business operations and profitability.

Damage to our brand name or failure to protect our brand name may adversely and materially affect our ability to procure service contracts.

Our Directors believe that we operated under the brand "Johnson" and had established our business goodwill and reputation by our high quality of service and standard of workplace safety. As at the Latest Practicable Date, we had one registered trademark in Hong Kong. We have two registered domain names, namely **www.johnsonholdings.com** and **www.johnson-cleaning.com**. However, our efforts to maintain and protect our intellectual property may not be sufficient. If there is any misuse by third-parties of our brand and we are unable to detect, deter and prevent misbehaviour and misconduct by our employees or fail to effectively protect our brand and trademark, our reputation could be damaged. We may be unable to attract new and retain existing customers and our business and financial condition may be materially and adversely affected.

From time to time, we may get involved in litigations to protect and enforce our trademark and other intellectual property rights, and to protect our trade secrets. Such litigations could ensue substantial costs and diversion of resources, which may adversely and materially affect our business operations, financial condition and profitability. Moreover, even if any of such litigations is resolved in our favour, there is no guarantee that any remedies granted may be adequate to compensate for our actual or anticipated losses. Further, we may fail to enforce the judgment and remedies awarded by the court. In such an event, our reputation and financial condition may be adversely affected.

Our frontline workers may not follow our work procedure and guidelines that may affect our results of operation and reputation.

We operated an occupational health and safety management system, which complies with the requirements of OHSAS 18001:2007 and in particular, we implemented work procedure and required our frontline workers to follow internal work guidelines (for details please refer to the section headed "Business — Workplace Safety — Occupational safety and health guidelines" in this prospectus). However we cannot guarantee that our frontline workers will fully comply with our work procedure and guidelines. If they fail to comply with our work safety procedure and guidelines, the quality of services may be affected and we may face a higher risk of personal injuries, property damage or fatal accidents. Moreover, in the case of a failure on the part of our frontline workers to comply with safety measures, codes, ordinances, laws or regulations while performing their duties in the course of their employment with us and/or third parties get injured due to their misconducts, we may be held vicariously liable for, or face legal proceedings in connection with, the conducts of such frontline workers. This may adversely affect our business operation, financial condition and reputation, hence our ability to obtain new service contracts or renew existing service contracts.

Our Group and our employees may fail to renew or maintain the requisite certifications necessary for our business operations.

As set forth in the paragraphs headed "Business — Workplace safety" in this prospectus, as at the Latest Practicable Date, our Group and our employees held a number of certifications necessary for the provision of our services. For example, we held ISO 14001:2015 (environment management system), ISO 9001:2015 (quality management system) and OHSAS 18001:2007 (occupational health & safety system).

The certifications have different expiry dates and the renewal of such are subject to continual compliance with various standards such as workplace safety. We cannot assure you that our Group and our employees will be able to comply with those conditions for renewal. On the other hand, there are certain circumstances under which such certifications could be suspended by the issuing authorities. If our Group and our employees are unable to renew or maintain the relevant licences, permits or certifications, our ability to obtain new projects or renew existing service contracts and our financial position could be materially and adversely affected.

Our business may be adversely affected by increases in interest rates.

For each of the years ended 31 March 2017, 2018 and 2019, our finance costs amounted to approximately HK$7.0 million, HK$6.8 million and HK$6.9 million, respectively. We did not hedge against interest rate movements. Any increase in interest rates could materially increase our finance costs and could have a material adverse effect on our results of operations and financial condition.

We are subject to fair value change of our investments in unlisted unit trusts and life insurance and valuation uncertainty of investments due to the use of unobservable inputs.

During the Track Record Period, our Group has investments in unlisted unit trusts which fair value is susceptible to equity and bond risks as reflected by the indicative market price of such trusts on each dealing day. Our Group also invests in life insurance which fair value is measured by the surrender value of the life insurance policies at the end of each financial year. According to our Group's accounting policy in respect of fair value measurements, the valuation basis of our investments in life insurance amounts to unobservable inputs for the relevant asset or liability (level 3 fair value measurement). Should there be any valuation uncertainties from such unobservable inputs, the value of our investments in life insurance and the other gains and losses recognised in profit or loss due to fair value change may be overestimated or underestimated by our management. For each of the years ended 31 March 2017, 2018 and 2019, we recorded fair value gain on financial assets at FVTPL of approximately HK$3.6 million, HK$1.0 million and HK$0.3 million, respectively. For the details of our investments, please refer to the section headed "Financial Information — Description on major components of statements of financial position". We cannot guarantee that the market price of our investments in unlisted unit trusts will not fall or always remain stable. Should there be a decrease in fair value of our investments in unlisted unit trusts, our results of operations and financial condition may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

The industry we operate in is highly competitive. We face downward pricing pressures which may materially and adversely affect our profitability.

The environmental hygiene service industry in Hong Kong is highly competitive with competitors of different size. According to the Industry Report, the environmental hygiene service industry has a total of more than 1,000 environmental hygiene service providers in Hong Kong in 2018. As a result of the large number of competitors, the competition is significant especially in terms of pricing and quality of service. Our financial resources, reputation, track record and customer base may be inferior to and less competitive than our competitors. Further, our quoted price may not be as competitive as some of our competitors which offer similar scope of services. This presents a significant downward pricing pressure in tendering and quotation, thereby squeezing our profit margins. On the other hand, if we fail to provide a competitive bid compared to our competitors, we may not be awarded the service contract and our business operations, profitability and financial results may be materially and adversely affected.

The social and economic landscape of Hong Kong may change in a way that has a material adverse effect on our business and financial condition.

During the Track Record Period, all of our operations were based in Hong Kong. Any instability in the local social and economic landscape which may arise from events beyond our control, especially if significant and prolonged, may adversely affect our financial condition, results of operations and prospects. Such material adverse changes include and are not limited to:

- Natural disasters, acts of God, terrorist attacks or a breakdown in the transportation system which may disrupt our inventory supplies;
- Epidemics such as severe acute respiratory syndrome, dengue fever and avian influenza;
- Changes in government policies, rules or regulations which may place additional restrictions on our operation and lead to an increase in our operating costs; and
- Any significant or sudden slowdown, recession or other adverse developments in the local social, political or economic environment which may lead to declines in our profits and materially affect our business and expansion strategy, operations, financial results and profitability.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

The Underwriting Agreements may be terminated.

Under the terms of the Underwriting Agreements, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are entitled to terminate their obligations under the Underwriting Agreements by giving notice in writing to us. Such right of the Joint Global Coordinators is conditional upon the occurrence of non-exhaustive list of events. For details of the conditions under which the Underwriting Agreements may be terminated, please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” of the prospectus.

There has been no prior public market for our Shares. An active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price was determined by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The market price for our Shares following the Global Offering may decline below the Offer Price. Following the completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are publicly traded. We cannot assure you that an active trading market for our Shares will be developed or sustained after the Listing. If an active market for the Shares does not develop after the Listing, the market price and the liquidity of our Shares may be adversely affected.

The liquidity and market price of our Shares following the Global Offering may be volatile.

The trading price and volume of our Shares may be volatile as a result of factors beyond our control. Such factors include without limitation variations in our financial performance, new investments, strategic alliances and/or acquisitions, fluctuations in prices of our services, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. Any of these factors may result in significant effect in the volume and price of our Shares, regardless of our financial or business performance.

In addition to market and industry factors, the price and volume of our Shares may be highly volatile for certain business reasons. Such business reasons include without limitation variations in revenue, earnings, cash flow, success or failure of our business and growth endeavours, material litigations and recruitment or departure of key members of the management team. All of these reasons could cause the market price and trading volume of our Shares to be volatile.

Our current Shareholders may sell or divest our Shares in the public market, which could materially and adversely affect the market price of our Shares.

If our current Shareholders sell, or if the public perceives that our current Shareholders will sell, substantial amounts of our Shares after the completion of the Listing, the market price of our Shares may be negatively impacted. Moreover, any such disposal could impair our future ability to raise capital. Save and except as set forth in the section headed "Relationship with our Controlling Shareholders" of this prospectus, our Controlling Shareholders are not subject to any restrictions in regard to the disposal of their Shares. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we cannot guarantee that they will not do so in the future.

The interests of the Controlling Shareholders may not be in line with those of other Shareholders.

The Controlling Shareholders may have different interests from other Shareholders, and may cause our business to pursue business strategies that are in conflict with the interests of other Shareholders. In such case, you could be left in a disadvantaged position. In corporate transactions that are to be approved by our Shareholders such as mergers, acquisitions and disposal of all of our assets, election of directors, and other significant corporate actions, the influence of the Controlling Shareholders could be significant. The Controlling Shareholders are not obliged to consider the interests of the Company or other Shareholders in making such corporate decisions.

Your Shares may be diluted if we issue additional Shares in the future.

To raise additional funds for finance acquisitions, business expansions or other purposes, we may consider offering and issuing additional Shares in the future. Any issuance of equity securities after the Global Offering may dilute the percentage ownership of the existing Shareholders and may substantially decrease the net tangible assets per Share. In addition, such new Shares may come with preferred rights, options or pre-emptive rights that render them more valuable than the Offer Shares. Our Company was incorporated under the laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong, so are the remedies afforded to shareholders in case their interests are prejudiced. As a result, the remedies available to Shareholders may be different from what they would otherwise have under the laws of Hong Kong. Further details on the Constitution of the Company and the related Cayman Islands law are set forth in Appendix III to this prospectus.

Past dividends distributions are not indicative of our future dividend policy and we cannot guarantee whether and when we will pay dividends on our Shares.

The declaration of dividends is proposed by our Board and subject to our Shareholders' approval. During the Track Record Period, we declared dividends of approximately NIL, HK$15.0 million and NIL for the years ended 31 March 2017, 2018 and 2019, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. Future dividends, if any, will be at the discretion of the Board and depend upon our future results of operations, the amount of distributable profits, capital requirements, general financial condition, legal and contractual restrictions and other factors that the Board may deem relevant. For further details of our dividend policy, please see the section headed "Financial Information — Dividends" of this prospectus. We cannot assure whether, when or in what form we will pay dividends on our Shares.

RISKS RELATING TO STATEMENTS IN THE PROSPECTUS

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus.

Facts and statistics in this prospectus have been compiled partly from the Industry Report and various publicly available publications which we believe to be reliable and appropriate for such information. We have taken reasonable care in extracting and reproducing such information and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis.

While our Directors have taken all reasonable care in the reproduction of the statistics and facts in this prospectus, they have not been prepared or independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, we make no representation as to the accuracy or completeness of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus carefully and not rely on any information in other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

Prior to the publication of this prospectus and between the date of this prospectus and completion of the Global Offering, there may be press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for the accuracy or completeness of the information in such press or media coverage nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information but note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed "Forward-looking Statements" of this prospectus.

Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of the Directors. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his academic or professional qualifications is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries ("**HKICS**");

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Li, Zhuang ("**Mr. Li**"), as the joint company secretary of our Company. He is responsible for the company secretarial matters of our Group. Mr. Li has been the company secretary of Johnson Hong Kong since June 2016, mainly responsible for general company secretarial affairs. We believe that having regard to Mr. Li's knowledge and past experience in handling corporate matters, he has a thorough understanding of our operations and our Board, and is able to perform his duties as our company secretary. Please refer to the section headed ''Directors and Senior Management'' in the Prospectus for further details of Mr. Li's qualifications.

However, as Mr. Li does not possess full qualifications as required under Rule 3.28 of the Listing Rules, he may not be able to fulfil the requirements under Rule 3.28 of the Listing Rules. As such, we have appointed Ms. Lee Mei Yi (''**Ms. Lee**") to act as a joint company secretary and to provide joint company secretarial support and assistance to Mr. Li so as to enable Mr. Li to acquire the relevant experience as required under Rule 3.28 of the Listing Rules and to duly discharge the functions of a company secretary. Mr. Li will be assisted and have the resources and expertise of Ms. Lee as a joint company secretary.

Ms. Lee has over 25 years of experience in the corporate secretarial and compliance services field. Ms Lee is a Fellow of both HKICS and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Accordingly, Ms. Lee satisfies the requirements of a company secretary as stipulated under Rule 3.28 of the Listing Rules. Please refer to the section headed ''Directors and Senior Management'' in the Prospectus for further details of Ms. Lee's qualifications.

In light of the above, we have applied for, and the Stock Exchange has granted us a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the date of the Listing and the following arrangements have been made to satisfy the requirements:

(a) we propose to engage Ms. Lee as a joint company secretary for a minimum period of three years commencing from the Listing Date. During such period of engagement, Ms. Lee will work closely with Mr. Li and ensure that she will be available at all times to provide assistance to Mr. Li for his discharge of duty as a company secretary as described above, including but not limited to communicating regularly with Mr. Li on matters relating to corporate governance, the Listing Rules, as well as the applicable Hong Kong laws and regulations which are relevant to us. We will further ensure that Mr. Li will receive the relevant training and support to enable him to be familiar with the Listing Rules and the responsibilities of a company secretary as required under the Listing Rules. Given the joint company secretary is not an employee of our Company and is from an external service provider, the external provider may contact Mr. Li, the joint company secretary of our Company, for matters relating to our Company as and when they require;

(b) furthermore, pursuant to Rule 3.29 of the Listing Rules, each of Mr. Li and Ms. Lee will attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other Hong Kong regulatory requirements;

(c) upon expiry of the three-year period, we will re-evaluate the qualifications and experience of Mr. Li and determine whether he satisfies the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules;

(d) if Ms. Lee ceases to provide assistance to Mr. Li, the waiver will be revoked by the Stock Exchange with immediate effect; and

(e) at the end of the three-year period as mentioned above, the Stock Exchange will revisit the situation. We shall then demonstrate to the Stock Exchange's satisfaction that Mr. Li, having had the benefit of the assistance of Ms. Lee for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading; and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

STRUCTURE OF THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon having been authorised by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, any of the Underwriters, and any of their respective directors, agents, employees or advisers or any other party or parties involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Underwriting Agreements, the Global Offering is fully underwritten by the Underwriters subject to agreement on the Offer Price to be determined between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the

Underwriters) and the Company on or before the Price Determination Date. If, for whatever reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse. In such event, we will issue an announcement to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com**.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm, and by his acquisition of the Offer Shares is deemed to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus and/or the relevant Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the relevant Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers, in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the relevant Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities law. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC, the United States or the Cayman Islands. Persons who possess this prospectus are deemed to have confirmed with the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, and the Underwriters that such restrictions have been observed.

APPLICATIONS FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering.

No part of our share or loan capital is listed on or dealt in on any other exchange and no such listing or permission of dealing is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under the prospectus to be listed on the Main Board has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Listing Committee, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 8.08 of the Listing Rules, at all times after the Listing, the Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of the Company in the hands of the public (as defined in the Listing Rules).

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares on Main Board and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional adviser.

REGISTERS OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on our register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited in order to enable them to be traded on the Main Board. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on the Main Board. Our principal register of members will be maintained in the Cayman Islands by our principal share registrar, Harneys Fiduciary (Cayman) Limited.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on our register of members in Hong Kong by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or exercise of any rights in relation to, the Offer Shares. It is emphasised that none of our Group, our Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person or parties involved in the Global Offering accepts responsibility for any tax effects on, or tax liabilities resulting from, your subscription for, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, the Offer Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Wednesday, 16 October 2019, it is expected that dealing in our Shares on the Main Board will commence at 9:00 a.m. on Wednesday, 16 October 2019. Shares will be traded in board lots of 2,000 Shares each.

The stock code for the Shares is 1955.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

LANGUAGE

The Chinese language version of this prospectus is translated from the English version. In the event of any discrepancies or conflicts between the contents of the Chinese version and the English version of this prospectus, the English version shall prevail unless otherwise stated. However, it is important to note that English names in this prospectus relating to relevant Chinese names, entities, departments, facilities, certificates, titles and laws and regulations are a direct informal translation of their relevant Chinese names, and such translated English names should only be used for identification purposes only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

Please refer to the section headed "Directors and Senior Management" of this prospectus for further information on our Directors and senior management.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Cheung, Kam Chiu (張錦釗)	Flat B, 17/F., Block 1 Peak One Shatin, New Territories Hong Kong	Chinese
Szeto, Wing Tak (司徒榮德)	Flat A, 25/F, Tower 3A Savannah 3 Chi Shin Street Tseung Kwan O Kowloon, Hong Kong	Chinese
Non-executive Directors		
Xu, Jili (許繼莉)	No. 89, Yong Fu Road Yuexiu District, Guangzhou China	Chinese
Li, Yanmei (李妍梅)	Flat 38E, Tower 1 Queen's Terrace 1 Queen Street Hong Kong	Chinese
Xie, Hui (謝輝)	Zhuhai Power Supply Branch of Guangdong Power Grid Group No. 296, Xiangzhou Cuixiang Road Xiangzhou District, Zhuhai Guangdong, China	Chinese
Ye, Ning (葉寧)	Room 1102, Unit 2, Building 1 No. 188 Meihua East Road, Xiangzhou District, Zhuhai, Guangdong China	Chinese
Lee, Wing Yee Loretta (李詠怡)	Room B, Penthouse Level 1-3 Grand Deco Tower 26 Tai Hang Road Causeway Bay, Hong Kong	Chinese

Name	Address	Nationality
Wong, Ling Fong Lisa (王玲芳)	Flat A, 11/F, Yee Wan Court Tower 15, South Horizons No. 15 South Horizon Drive Hong Kong	Chinese
Zhou, Wenjie (周文杰)	No. 4, 24/F., Tower 7, Dangui Villa No. 80 Yunhe Dong San Road Wencheung County Dongguan City, Guangdong China	Chinese
Independent non-executive Directors		
Fan, Chiu Tat Martin (范招達)	Flat B, 48/F 18 Farm Road To Kwa Wan, Kowloon Hong Kong	Chinese
Guan, Yuyan (官玉燕)	House 07, Mayfair By the Sea I 23 Fo Chun Road Science Park, New Territories Hong Kong	Chinese
Hong, Kam Le (康錦里)	Flat B, 17/F, Block 9 Braemar Hill Mansion 31 Braemar Hill Road North Point Hong Kong	Chinese
Leung, Siu Hong (梁兆康)	Flat E, 22/F, Block 2 Academic Terrace 101 Pok Fu Lam Road Hong Kong	Chinese
Ru, Tingting (汝婷婷)	No. 701, Unit 1, Building 5 No.10 Countyand, Xinhuali Xicheng District, Beijing China	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Southwest Securities (HK) Capital Limited** 40/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Financial adviser	**WAG Worldsec Corporate Finance Limited** Suite 1101, 11/F Champion Tower 3 Garden Road, Central Hong Kong
Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners	**Southwest Securities (HK) Brokerage Limited** 40/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong **Huajin Securities (International) Limited** Suite 1101, 11/F Champion Tower 3 Garden Road, Central Hong Kong **Elstone Securities Limited** Suite 1601-04, 16/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Co-lead Manager	**KGI Capital Asia Limited** 41/F, Central Plaza 18 Harbour Road, Wanchai Hong Kong
Legal adviser to the Company	*as to Hong Kong law* **Bird & Bird** 4/F, Three Pacific Place 1 Queen's Road East Hong Kong *as to Cayman Islands law* **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Hong Kong

Legal adviser to the Sole Sponsor and the Underwriters	**Loeb & Loeb LLP** 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong
Auditors and Reporting Accountants	**RSM Hong Kong** *Certified Public Accountants* 29th Floor Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
Industry Consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square Central Hong Kong
Receiving Bank	**DBS Bank (Hong Kong) Limited** 16/F The Center 99 Queen's Road Central Hong Kong

Registered office	4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters and Principal place of business in Hong Kong	11/F China Aerospace Centre No.143 Hoi Bun Road Kwun Tong Kowloon, Hong Kong
Compliance adviser	WAG Worldsec Corporate Finance Limited Suite 1101, 11/F Champion Tower 3 Garden Road, Central Hong Kong
Joint company secretaries	Ms. Lee, Mei Yi (李美儀) *(fellow member, HKICS, ICSA)* Level 54 Hopewell Centre 183 Queen's Road East Hong Kong Mr. Li, Zhuang (李壯) 11/F China Aerospace Centre, No.143 Hoi Bun Road, Kwun Tong Hong Kong
Authorised representatives	Mr. Cheung, Kam Chiu (張錦釗) Flat B, 17/F., Block 1, Peak One Shatin, New Territories Ms. Lee, Mei Yi (李美儀) Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Mr. Fan, Chiu Tat Martin (范招達) *(Chairman)* Ms. Ru, Tingting (汝婷婷) Mr. Leung, Siu Hong (梁兆康)
Remuneration committee	Mr. Leung, Siu Hong (梁兆康) *(Chairman)* Dr. Guan, Yuyan (官玉燕) Ms. Ru, Tingting (汝婷婷)

Nomination committee	Ms. Ru, Tingting (汝婷婷) *(Chairman)* Dr. Guan, Yuyan (官玉燕) Mr. Hong, Kam Le (康錦里)
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Cayman Islands share registrar and transfer office	Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong DBS Bank (Hong Kong) Limited 11th Floor, The Center 99 Queen's Road Central Hong Kong
Company website address	**www.johnsonholdings.com** (The information contained on the website of the Company does not form part of this prospectus)

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Hong Kong environmental hygiene service market. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK$750,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the Hong Kong environmental hygiene service market for the prospective investors. The Frost & Sullivan Report includes information on the Hong Kong environmental hygiene service market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Hong Kong environmental hygiene service market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Hong Kong environmental hygiene service market.

OVERVIEW OF MACROECONOMIC ENVIRONMENT IN HONG KONG

Nominal GDP

The economy in Hong Kong has experienced positive growth in recent years. During 2013 to 2018, the nominal GDP increased from HK$2,138.3 billion in 2013 to HK$2,845.3 billion in 2018 with a CAGR of 5.9%. According to IMF, the GDP is expected to have a steady growth from 2019 to 2023. By the end of 2023, the nominal GDP is expected to reach HK$3,652.1 billion. The positive economic atmosphere in Hong Kong is likely to favor the business growth and the demand for Hong Kong environmental hygiene service market.

Population

The population in Hong Kong grew steadily at a CAGR of 0.8% from 7.2 million in 2013 to 7.5 million in 2018. In the next five years, the population growth is estimated to grow moderately and will exceed 7.8 million by the end of 2023, representing a CAGR of 0.7%. The growing population growth and the housing problem in Hong Kong will continue to drive the demand for residential spaces, where the environmental hygiene services will be benefitted from such demands.

The development of the environmental hygiene service industry is related to the expansion of infrastructure, transportation, buildings and real estate activities. Generally, the numbers of public facilities, buildings completions and space of residential, commercial and office buildings would be able to indicate on the growth potential of the industry.

INTRODUCTION OF ENVIRONMENTAL HYGIENE SERVICE MARKET

Definition and Classification

Environmental hygiene service mainly includes building cleaning service, street cleaning service and public transport modes cleaning, as well as other cleaning, such as waste collection services, chemical and clinical waste disposal. Building cleaning service includes, office and institutional cleaning, government organization cleaning, floor and carpet cleaning, escalator and staircase cleaning, window cleaning, exterior wall cleaning and toilet cleaning. Street cleaning services include street sweeping and washing, refuse collection point cleaning, public area, parks and recreational facility cleaning, as well as public toilet cleaning. Public transport modes cleaning refers to the cleaning services performed for public buses, public ferries, trains, minibuses, taxis and tramways. Cleaning of post-construction sites, markets, confined spaces and car parks, waste collection services, chemical and the clinical waste disposal, stone floor maintenance, pest control and fumigation are included in other cleaning category. Public sector projects refer to projects commissioned by the public transport operators, government or government-related organizations while private sector projects refer to projects commissioned by individuals, property managers and property owners.

Waste management services include, but not limited to, the emptying of garbage bins of the premises of tenants, where relevant, collection of garbage from refuse room of each floor and transfer the garbage collected to the refuse collection point of the building, as well as the collection of waste with specialised vehicles, such as hook-lift trucks, grab tippers, tippers and refuse compaction vehicles, from refuse collection points of the buildings and transport the garbage collected to government designated waste disposal facilities. The types of waste include trade waste, industrial waste, household waste and construction waste.

Industry Value Chain

The industry value chain of environmental hygiene service market consists of machinery and equipment suppliers, service providers and end-users. Machinery and equipment suppliers provide machinery such as vehicles and gondola lifts as well as cleaning materials such as toilet paper, plastic bags and detergents which are then bought by environmental hygiene service providers for service execution. Environmental hygiene service providers may partner with subcontractors or fully subcontract the execution of service to a third-party provider so as to have better cost control and allocate their resources more efficiently. Environmental service providers may also directly employ staff for the delivery of services. End-users are parties and institutions who demand for environmental hygiene service. They are, for example, the governmental departments, property management of residential, commercial, educational building.

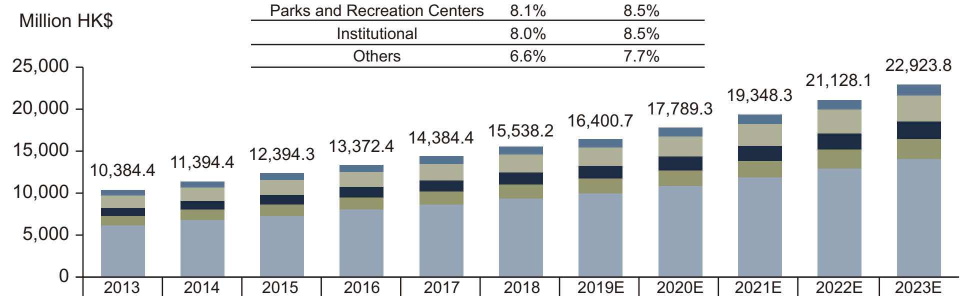
OVERVIEW OF HONG KONG ENVIRONMENTAL HYGIENE SERVICE MARKET

Market Size

The environmental hygiene service market in Hong Kong has experienced a growth from HK$10,384.4 million in 2013 to HK$15,538.2 million in 2018, representing a CAGR of approximately 8.4%. The growth was supported by the rising awareness for hygiene and increase in government spending on waste management. Going forward, it is forecasted to increase at a CAGR of 8.7% from HK$16,400.7 million in 2019 to HK$22,923.8 million in 2023. It is mainly driven by certain factors, among others, the project price trend and market drivers of the industry as mentioned below. Building cleaning service is the largest sector of environmental hygiene service market in Hong Kong. The building cleaning service is forecasted to grow at a CAGR of approximately 8.9% from 2019 to 2023, mainly driven by the increase in environmental awareness of the private sector companies. Street cleaning services is also projected to achieve stable growth at a CAGR of 8.5% from 2019 to 2023 while the cleaning services of parks and recreation centers is estimated to grow at a CAGR of 8.5% from 2019 to 2023.

Market Size of the Environmental Hygiene Service Market by Service Type (Hong Kong), 2013-2023E

CAGR	2013-2018	2019E-2023E
Total	8.4%	8.7%
Building Cleaning Service	8.8%	8.9%
Street Cleaning Service	8.0%	8.5%
Parks and Recreation Centers	8.1%	8.5%
Institutional	8.0%	8.5%
Others	6.6%	7.7%



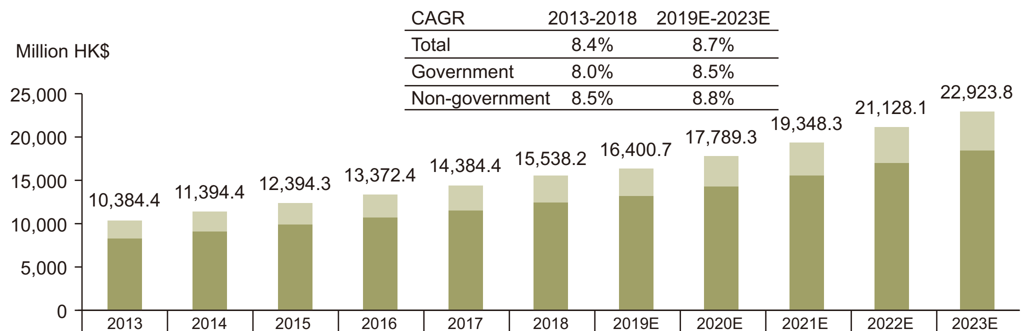
	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Other	694.4	757.9	820.2	827.7	899.5	955.8	960.4	1,029.5	1,106.7	1,189.7	1,290.8
Institutional	1,456	1,550	1,810.4	1,841	1,990.5	2,139.3	2,245.2	2,427.1	2,638.2	2,870.4	3,114.4
Parks and Recreation Centers	970.9	1,058.4	1,136.5	1,227.5	1,328.2	1,433.2	1,499.8	1,627.3	1,765.6	1,915.7	2,078.5
Street Cleaning Service	1,142.3	1,251.2	1,371.1	1,444.2	1,553.5	1,678.4	1,727.9	1,860.9	2,017.3	2,208.9	2,396.6
Building Cleaning Service	6,120.8	6,776.9	7,256.1	8,032	8,612.7	9,331.5	9,967.4	10,844.5	11,820.5	12,943.4	14,043.5
Total	10,384.4	11,394.4	12,394.3	13,372.4	14,384.4	15,538.2	16,400.7	17,789.3	19,348.3	21,128.1	22,923.8

Source: Frost & Sullivan

The major customers of the environmental hygiene services in Hong Kong include government and non-government. The non-government sector is the largest segment of the environmental hygiene services market in Hong Kong. The market size of non-government sector in Hong Kong experienced a growth from HK$8,271.2 million in 2013 to HK$12,430.6 million in 2018, representing a CAGR of approximately 8.5% and is forecasted to reach HK$18,448.6 million in 2023 with a CAGR of approximately 8.8% from 2019 to 2023.

The government sector recorded an increase of CAGR 8.0% approximately, from HK$2,113.2 million in 2013 to HK$3,107.6 million in 2018 and is forecasted to reach HK$4,475.2 million with a CAGR of 8.5% from 2019 to 2023.

Market Size of the Environmental Hygiene Service Market by Customer Types (Hong Kong), 2013-2023E



CAGR	2013-2018	2019E-2023E
Total	8.4%	8.7%
Government	8.0%	8.5%
Non-government	8.5%	8.8%

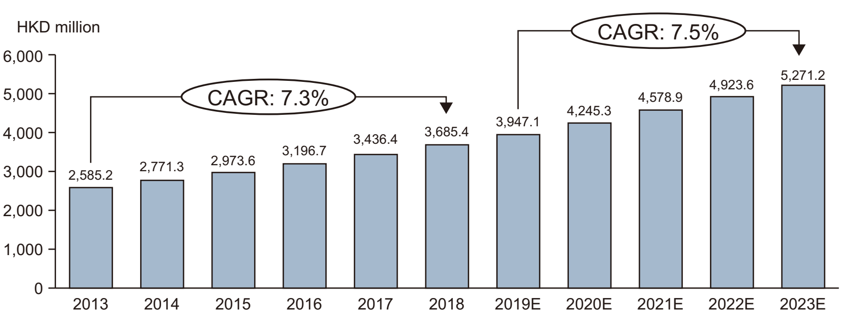
	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Government	2,113.2	2,309.6	2,507.6	2,671.7	2,881.7	3,107.6	3,227.8	3,488.2	3,782.9	4,124.6	4,475.2
Non-government	8,271.2	9,084.8	9,886.7	10,700.7	11,502.7	12,430.6	13,172.9	14,301.1	15,565.4	17,003.5	18,448.6
Total	10,384.4	11,394.4	12,394.3	13,372.4	14,384.4	15,538.2	16,400.7	17,789.3	19,348.3	21,128.1	22,923.8

Notes: Government sector include parks and recreation centers, and street cleaning.

Source: Frost & Sullivan

The estimated sum of contract awarded for environmental hygiene services in public sector increased from HK$2,585.2 million in 2013 to HKD 3,685.4 million in 2018, at a CAGR of 7.3%. Benefited from the rising awareness of hygiene, the estimated sum of contract awarded for environmental hygiene services in public sector is estimated to grow at a CAGR of 7.5% from 2019 to 2023.

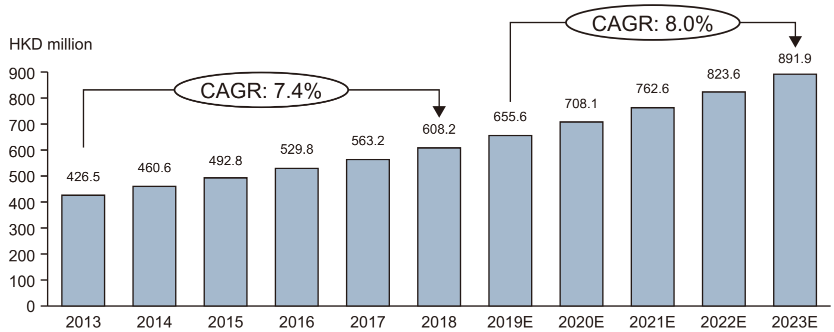
Contract Sum of Environmental Hygiene Services Tenders in Public Sector (Hong Kong), 2013-2023E



Source: Frost & Sullivan

The estimated market size of waste management services increased from HK$426.5 million in 2013 to HKD608.2 million in 2018, at a CAGR of 7.4%. On the ride of the development of a circular economy and the rising awareness of environmental protection, the spending on collection, transportation, disposal of waste and arrangement for recycling is on the rise. The market size of waste management services in Hong Kong is estimated to grow at a CAGR of 8.0% from 2019 to 2023.

Market Size of Waste Management Services (Hong Kong), 2013-2023E



Source: Frost & Sullivan

Market Drivers

Increasing Awareness of Public Hygiene — Following the outbreak of Severe Acute Respiratory Syndrome in 2003, human swine influenza in 2009 and influenza H7N9 and Zika virus in 2016, the Government has organised a number of large-scale clean-up activities and conducted publicity campaigns with a view to improving the hygiene conditions at the community level. Providing a clean and hygienic living environment has become one of the key agendas in Hong Kong. The rising public environmental awareness increases the demand for environmental hygiene services, including building cleaning services, public transport modes cleaning and street cleaning services.

Rising Complexity and Requirements for Cleaning Service — With the higher living standards and growing property market, people are having higher expectation and requirements for environmental hygiene. In view of this rising trend, environmental hygiene service providers continue to enhance their service coverage and quality in order to provide clients with more value-added services. As customers often require more than one type of the environmental hygiene services, the types and coverage of cleaning services will extend in the market and the ability in offering a comprehensive range of environmental hygiene services could save customers' time and cost from engaging different services providers. Environmental hygiene service providers, who are capable of offering a range of quality value-added services, would therefore receive the impetus in Hong Kong.

Enhanced Governance of Environmental Hygiene — Environmental hygiene in Hong Kong is expected to see enhanced governance and the Hong Kong Government has issued specific measures to strengthen the law enforcement. As set out in the 2018 policy address, cityscape and environmental hygiene are among the livelihood issues of greatest concern to the District Councils and local communities. In this connection, the relevant departments have consulted the District Councils on hygiene blackspots and action priorities in 2018, and are implementing the corresponding action plans. These include stepping up efforts in cleansing, mosquito prevention, rodent prevention, the strength of enforcement, as well as beautifying and opening up selected vacant sites progressively. Benefited from the stronger governance, the increase in standards of public hygiene would support the growth of the industry.

Market Trends

Proliferation of Part-time Workers — Work in environmental hygiene services have been broken down into jobs with smaller time segments or looser contractual terms. It is observed that there are insufficient applications in environmental hygiene services market whereby the cleaning workers are usually working on part-time basis with relatively higher turnover than other industries. Competition for the pool of part-time workers is common place among the environmental hygiene service providers. In order to attract cleaning workers, the use of competitive remuneration packages, personal growth opportunities and flexible schedule are adopted by services providers. Recruitment of part-time workers is the rising trend in Hong Kong environmental hygiene service market, which may lead to the inconsistency of the services standards due to extensive use of part-time workers. As such, hiring, training and retaining staff becomes very challenging, which adds to the complexity for the provision of environmental hygiene services.

Trends in Service Outsourcing — Following the rising number of residential and commercial buildings and offices in Hong Kong, the demand for environmental hygiene services also followed the trend. Aligning the consistency of practice, ranging from personnel hygiene/attributes, cleaning methods to equipment, becomes one of the top concerns for property managers to standardise services. Given the huge cost in setting the training programs for quality assurance and knowledge management, increasing number of property management companies and government are outsourcing the environmental hygiene services, namely building cleaning services and street cleaning services, to the third-party services providers. With the sustained development of property market, trend in outsourcing of environmental hygiene services would continue.

Market Consolidation — With increasing complexity of the property management and cleaning projects, environmental hygiene service providers are extending their service scope to fulfill the rising client's expectations. As the market develops into a mature stage, large scaled services providers are seeking expansion opportunities through horizontal or vertical integration and business portfolio diversification, such as integration along value chain and expansion of services scope, in the Hong Kong environmental hygiene market. Some leading environmental hygiene service providers in Hong Kong have been consistently seeking opportunities that can further expand its business scale and diversify its revenue stream through merger and acquisition. With the integration of other companies, the revenue size and business scale is expected to be enlarged and thereby bringing greater diversity in the business portfolio. Market consolidation is expected to be a rising trend in environmental hygiene service industry in Hong Kong. Sizeable market players who are capable to seek expansion opportunities or increasing profitability through horizontal or vertical integration along the value chain and business portfolio diversification are able to capture more market share and eaten up market shares of other market players of different scale.

Market Opportunities and Challenges

Increasing use of automated or advanced cleaning devices — The Introduction of automated or advanced cleaning devices is now becoming increasingly common, and is driving improvement in efficiency of cleaning and sanitation. The implementation of power tools such as low-noise vacuum cleaners, floor cleaners, steam cleaners contributes to higher efficiency and maintain the quality of services. The 2018 policy address states the government's determination to improve the cityscape and will adopt a multi-pronged approach to enhance environmental hygiene and cleanliness. On top of additional resource allocation, the government will apply innovation and technologies in street cleansing through the use of machines and automation, reinforce public education and step up enforcement. For instance, the pressure washer surface cleaner are suitable for cleaning paving blocks pavements or concrete floors with shorter working time, less water and energy. The mini-mechanical sweeper is used to clean narrow village roads in rural area more quickly and effectively. Environmental hygiene services providers will benefit from purchasing advanced cleaning machinery and equipment as well as specialised vehicles such as water wagons, refuse compaction vehicles and floor refinishing machines, which further enhance the quality of services and raise efficiency. The application of automated or advanced devices would further facilitate the growth of environmental hygiene service in Hong Kong. In addition, large-scale environmental hygiene services providers cater for customers' demand flexibly and efficiently and are equipped with their own cleaning machinery and equipment as well as specialised vehicles will be in a better position to charge higher fees and to undertake projects of a larger scale.

Trend in Technological Advancement — Environmental hygiene service industry is considered labour intensive. Faced with the rising customers' requirements and operating cost, increasing number of environmental hygiene service providers are channeling resources to technology application. In particular, wearables are increasingly used in environmental hygiene service industry in Hong Kong by the major market participants to monitor and counting attendance for cleaning workers, fleet management systems to track the activities of motor vehicles. It is believed that the technological advancement would increase operational efficiency and enhances quality of environmental hygiene service, thus translating into market growth opportunities and enabling the market participants to capture greater market shares.

Labour shortage — Despite the increase in the number of persons engaged in the industry from 2013 to 2018, there is still the mismatch between the demand and supply for workers in the environmental hygiene services. In addition, the high turnover adds challenge to the retaining and training of workers. As the industry demands for more labour to meet customer needs, labour shortage add challenge for rendering of environmental hygiene service.

Increasing Operating Costs — Apart from labour costs, other indirect costs such as management and administration cost, have increased in environmental hygiene services in Hong Kong, due to the introduction of Statutory Minimum Wage policy and increased competition. Given the fact that projects undertaken by large scale market players are typically sizable which involves substantial labour force and physical cleaning work, occurrence of bodily injury and accidental damages are not uncommon in the industry. With the rising number of occupational accidents, increasing insurance premium is seen in the industry. Such costs may continue to increase due to pressures faced by services providers to implement safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers. The rising indirect costs also come as a challenge to the environmental hygiene service industry in Hong Kong. With abundant financial resources and economy of scale and more standardized operational measures, the large-scale service providers are likely to outperform the small-scale peer, capture the growth and expand the market shares.

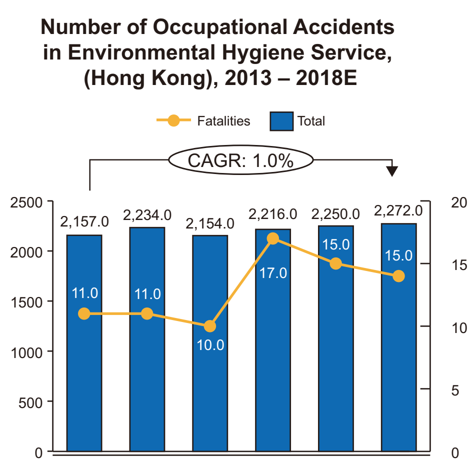
Number of Workers and Average Wages

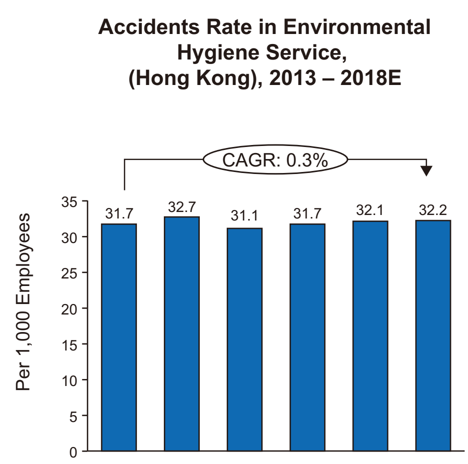
From 2013 to 2018, the number of employees in environmental hygiene services increased from 68,000 in 2013 to 73,200 in 2018, representing a CAGR of approximately 1.5%. Due to the anticipated rapid development of property market in coming years, the demand for environmental hygiene services is expected to continue its growth, driving the demand for environmental hygiene services workers. The number of employees in environmental hygiene services is forecasted to grow at a CAGR of 1.0% from 2019 to 2023.

The regulation of statutory minimum wage came into effect in 2011 as regulated by the Minimum Wage Ordinance. The environmental hygiene service industry is considered labour intensive. With the effects of monetary inflation as well subsequent increases in statutory minimum wage in 2013 and 2015, the monthly salary of workers in the environmental hygiene service industry increased from HK$8,778.5 in 2013 to HK$12,454.0 in 2018, representing a CAGR of approximately 7.2%. The new statutory minimum wage of HK$37.5 has come into effect from May 2019. With the growing demand for environmental hygiene services and the rising statuary minimum wage, the monthly salary of workers in the environmental hygiene service industry is estimated to record the growth at a CAGR of 5.2% from 2019 to 2023.

Overview of Occupational Accidents in Environmental Hygiene Industry

Along with the increase in number of employees in environmental hygiene service in Hong Kong, the number of occupational accidents and accidents rate also recorded a slight increase from 2013 to 2018. The number of occupational accidents increased from 2,157 in 2013 to 2,272 in 2018, at a CAGR of 1.0%. In 2018, 32.2 accidents happened every year to every 1,000 employees out of the average total number of employees in Hong Kong. The accident rate increased from 2013 to 2018 at a CAGR of 0.3%.





Source: HKSAR Labour Department, HKSAR Census and Statistics Department, Frost & Sullivan

Note: 2013-2017 are actual figures and 2018 figures are estimated.

COMPETITIVE LANDSCAPE OF HONG KONG ENVIRONMENTAL HYGIENE SERVICE MARKET

Ranking and Market Concentration

The environmental hygiene service market in Hong Kong is relatively competitive with competitors of different size. The number of environmental hygiene service providers has increased from 1,030 in 2013 to 1,195 in 2018, representing a CAGR of 3.0%, which can be divided into two tiers. Tier one market players include top market players with relatively larger operating scale. Sizeable projects such as government tenders which require substantial resources and financial viability to undertake are generally carried out by tier one market players. In 2018, top 10 market players contributed approximately 55.2% of total revenue of the industry. Tier two players are small and medium size enterprise (e.g. enterprises with less than 50 employees) which constitute majority of industry participants.

The environmental hygiene service industry is mainly driven by customer demand. Under intense competition based primarily on pricing, service quality and customer relationships, large-scale environmental hygiene service providers typically could leverage on their economy of scale, market know-how, proven track record and industry recognition to build connections with suppliers, clients and government. As they are familiarised with needs and standards of customers, such understanding allows them to prepare tender proposal or quotation that fit customers' needs. In addition, their strengthened connections with suppliers, clients and government and industry recognition enable them to have bargaining power in price negotiation and liaison with labour, which in turn stand a better chance of landing projects in the market. It is the market norm that the contract price will be generally adjusted according to the increase in minimum wage rate and such increment is well known and accepted by the market. By absorption of the cost by environmental hygiene services providers and cost transfer to downstream customers, the environmental hygiene services would not be significantly affected by the increase in wage rate. There is no material impact on competitive landscape given higher labour cost.

Ranking and Market Share of Leading Environmental Hygiene Service Providers by Revenue (Hong Kong), 2018

Rank	Market participant	Estimated market share in 2018 (%)
1	Company A	10.0%
2	Our Group	9.2%
3	Company C	6.9%
4	Company B	6.8%
5	Company D	5.8%
6	Company E	5.1%
7	Company G	3.4%
8	Company F	3.2%
9	Company I	2.6%
10	Company H	2.2%
	Top ten market participants	55.2%
	Others	44.8%
	Total	100.0%

Source: *Frost & Sullivan*

Notes:

I. Company A is a multi-national corporation based in Denmark and delivers a wide range of solutions, including property management, cleaning service and security guarding. It expanded the business to Hong Kong in 1995, with Hong Kong being its biggest market in Asia-Pacific.

II. Company B is based in Hong Kong and a major cleaning contractor of the Hong Kong SAR Government and the private sector who provides a full range of cleaning and public hygiene services at both private premises and public venues. It is a listed company in the Stock Exchange.

III. Company C is based in Hong Kong and specialises in the provision of a comprehensive range of environmental sanitation & hygienic services such as general cleaning, specialised cleaning, waste management, hotel housekeeping services, professional pest control and office support services, etc.

IV. Company D is based in Hong Kong and an environmental hygiene service providers in Hong Kong, with the focus on general cleaning, external & curtain wall cleaning, office cleaning and waste management. It is a wholly owned subsidiary of a listed company in the Stock Exchange.

V. Company E is based in Hong Kong and provides a wide array of specialty cleaning services such as pest control, curtain wall cleaning, grease tank/trap cleaning, water tank & flush tank cleaning, marble restoration & maintenance, carpet cleaning and car cleaning to residential, commercial and industrial properties, shopping arcades, carparks, government institution and public facilities etc. It is a wholly owned subsidiary of a listed company in the Stock Exchange.

VI. Company F is based in Hong Kong and principally engaged in environmental hygiene and airline catering support services in Hong Kong. It is a listed company in the Stock Exchange.

VII. Company G is based in Hong Kong and an environmental hygiene service provider based in Hong Kong, providing four major types of environmental hygiene services, namely (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services. It is a listed company in the Stock Exchange.

VIII. Company H is based in Hong Kong and principally engaged in providing cleaning services, waste management services, pest control services and sewage treatment services. It is a listed company in the Stock Exchange.

IX. Company I is based in Hong Kong and provides a wide array of cleaning services for its clients, including general cleaning, housekeeping, waste management, and pest control.

Our Group is the largest Hong Kong-based environmental hygiene service providers by revenue in 2018.

Ranking and Market Share of Leading Hong Kong-Based Environmental Hygiene Service Providers by Revenue (Hong Kong), 2018

Rank	Market participant	Estimated market share in 2018 (%)
1	Our Group	10.2%
2	Company C	7.6%
3	Company B	7.6%
4	Company D	6.4%
5	Company E	5.7%
	Top five market participants	37.5%
	Others	62.5%
	Total	100.0%

Source: Frost & Sullivan

Entry Barriers

Capital Requirements — Initial capital investment is one of the key barriers for new entrants to enter tier one market in environmental hygiene service market. Environmental hygiene service industry is labour intensive and requires substantial amount of cash for labour recruitment and training and payment of wages to undertake sizeable projects. In general, the market participants are required to have substantial cash outlays at the early stage of the projects, such as the raw materials and equipment procurement. Substantial cashflow mismatch as substantial payments have to be settled before sales proceeds receipts, thus, the level and sufficiency of financial resources determines the ability to undertake environmental hygiene services projects. New entrants lacking in financial resources may find it difficult to maintain the operation and to be awarded with tender projects which are of sizeable scale, as well as management of cashflow mismatch. The customers generally do not have deposit for projects and collection of sales receipts take times to certify. Significant cost component has to be settled shortly after the works commence. Substantial working capital requirements, therefore, are a must for business expansion.

Business Relationship — Existing market participants have already built long-term relationship with the major clients in Hong Kong, such as the Hong Kong Government, property management companies and public transport operators. In Hong Kong environmental hygiene service industry, tendering is the major way to engage a service provider for both private and public sectors. Having a thorough understanding of the specifications and requirements of clients, they are experienced in planning and coordinating with clients in the provision of environmental hygiene services. Together with track record and reputation, the existing market participants stand a better chance in tendering environmental hygiene services. Business relationship and track record serve as the entry barriers to the new entrants.

Recruiting and Retaining of Cleaning Workers — Environmental hygiene service industry in Hong Kong is considered labour-intensive and requires expertise and experience. The training requisite for environmental hygiene personnel not only includes pre-service training, but also up-to-date knowledge courses. Having a sufficient number of experienced and qualified cleaning workers guarantees the delivery capacity of environmental hygiene service providers. New entrants usually face difficulties in recruiting and retaining cleaning workers.

Price Trend of Environmental Hygiene Service

Predominantly driven by the upward adjustment of Statutory Minimum Wage, the price indices of environmental hygiene service in Hong Kong has increased from 100.0 in 2013 to 146.1 in 2018, representing a CAGR of 7.9%. For the next five years, attributable by the continued rise of Statutory Minimum Wage, and the rising complexity of consumers' demand in cleaning services, the price indices of environmental hygiene services in Hong Kong is expected to continue climbing at a CAGR of 8.2%, reaching 216.3 in 2023.

Competitive Strength

The competitive strengths of our Group include (i) stable and experienced management team; (ii) solid client base and long-standing business relationship; (iii) competitive edge in the public sector and (iv) tailor-made cleaning solutions for customers. For details, please refer to "Business — Competitive Strengths" of this prospectus.

This section sets out summaries of certain aspects of the laws and regulations of Hong Kong which are relevant to the operations and business of our Group.

BUSINESS OPERATIONS

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance requires every entity that carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of its business and display a valid business registration certificate at the place of business.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. The Inland Revenue Ordinance also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

LABOUR, HEALTH AND SAFETY

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplace by:

- Providing and maintaining plant and work systems that do not endanger safety or health;
- Make arrangement for ensuring safety and health in connection with the use, handling, storage of transport of plant or substances;
- Providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- Providing and maintaining safe access to and egress from the workplaces; and
- Providing and maintaining a safe and healthy work environment.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Under the Mandatory Provident Fund Schemes Ordinance, the employers shall participate in a Mandatory Provident Fund ("**MPF**") Scheme for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a minimum monthly relevant income of HK$7,100 for employee contributions and a maximum monthly relevant income of HK$30,000 for both employer and employee contributions. Contributions to the plan vest immediately.

Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("ORSO")

The ORSO aims to regulate the retirement schemes industry through a registration system to ensure that all voluntarily established ORSO schemes are properly administered and funded, and to provide greater certainty that retirement scheme benefits promised to employees will be paid when they fall due. The ORSO applies to all ORSO schemes operated in and from Hong Kong. It also covers offshore schemes (i.e. schemes whose domicile is outside Hong Kong, where the scheme or trust is governed by a foreign system of law) which provide retirement benefits to members employed in Hong Kong. All ORSO schemes must be registered or granted an exemption certificate by the Registrar in accordance with ORSO.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance is an ordinance for, among others, the protection of the wages of employees and the regulation of the general conditions of employment and employment agencies in Hong Kong. The Employment Ordinance covers employment protection and benefits for employees including, among others, wage protection, paid annual leave, sickness allowance, maternity protection, statutory paternity leave, severance payment and long service payment.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred.

According to Section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

Pursuant to section 40 of the Employees' Compensation Ordinance all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). For our insurance coverage in this connection, please refer to the section headed "Business — Insurance" in this prospectus.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK$100,000 and to imprisonment for two years; and on summary conviction to a fine of HK$100,000 and to imprisonment for one year.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The current Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate of HK$37.5 per hour during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

ENVIRONMENTAL PROTECTION, WASTE DISPOSAL AND RECYCLING

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

Section 9 of the Waste Disposal Ordinance allows the Collection Authority to provide services for the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste.

Section 10 of the Waste Disposal Ordinance provides that the Collection Authority may, by licence, permit any person to provide services for the collection or removal of chemical waste or clinical waste and all or any of the matters referred in Section 9 of the Waste Disposal Ordinance.

Section 11 of the Waste Disposal Ordinance prohibits the collection, removal and disposal of chemical waste, clinical waste, household waste, street waste, trade waste, livestock waste and animal waste by any person or entities unless such person or entity is licensed by the EPD or the FEHD. Further details are set forth in the paragraphs headed "Environmental Protection and Compliance — Compliance with the Waste Disposal Ordinance" of this prospectus. However, Section 12(1) of the Waste Disposal Ordinance provides that it shall not be an offence under section 11 of the Waste Disposal Ordinance for an occupier of any building, or any person responsible for the management of any building, to remove household waste from any building if:

(a) the Collection Authority or any person holding a waste collection licence neglects or fails for a period of 48 hours to remove household waste for any building in respect of which the Collection Authority or person provides that service under the Waste Disposal Ordinance; or

(b) no such service for the removal of household waste is provided by the Collection Authority or a person holding a waste collection licence;

Section 16 of the Waste Disposal Ordinance prohibits the use or the permission to use any land by for the disposal of waste by any person unless the person has a licence from the director of EPD to use the land or premises for that purpose. This section does not apply to, inter alia:

(a) the use of land or premises for the deposit of any substance (other than chemical waste or clinical waste) which is being used in the course of agricultural or horticultural operations;

(b) the disposal of chemical waste or clinical waste by a person who is authorised, pursuant to any regulation made under section 33(1)(da) of the Waste Disposal Ordinance, to use the land or premises for that purpose;

(c) the disposal of such wastes or classes of wastes in such circumstances as may be prescribed.

Section 21A of the Waste Disposal Ordinance provides that a waste disposal licence in respect of chemical waste or clinical waste shall not be granted unless the licensing authority is satisfied that the land or premises has a waste disposal facility that has the capacity to dispose of such minimum quantity of chemical waste or clinical waste and within such period as may be prescribed, or is capable of disposing of chemical waste or clinical waste in such other manner as may be prescribed.

Waste Disposal (Refuse Transfer Station) Regulation (Chapter 354M of the Laws of Hong Kong)

Under the Waste Disposal (Refuse Transfer Station) Regulation, any person who disposes waste at the refuse transfer station shall comply with the relevant account registration requirements and shall pay for the fee as prescribed in the regulation.

Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong)

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, any person who disposes of construction waste shall be a holder of a valid billing account and shall pay for the fee as prescribed in the regulation.

Country Parks Ordinance (Chapter 208 of the Laws of Hong Kong)

Section 26 of the Country Parks Ordinance provides that the Chief Executive in Council may make regulations to provide for prohibiting or restricting the entry into, or movement within, country parks and special areas of persons, vehicles, boats and animals.

Country Parks and Special Areas Regulations (Chapter 208A of the Laws of Hong Kong)

Regulation 4 of the Country Parks and Special Areas Regulations provide that except for those ordinarily resident within country parks or special areas, or public officers on official duties within country parks or special areas, no person shall, except with the consent of the Agriculture, Fisheries and Conservation Department ("**AFCD**"), bring into a country park or special area any vehicle or bicycle, or drive, use or be in possession of any vehicle or bicycle within a country park or special area. Further, the Guidelines on Permit to bring vehicles into Country Parks or Special Areas issued by AFCD provides that vehicles over 5.5 tonnes are not allowed to enter country parks.

STORAGE AND USAGE OF CHEMICAL SUBSTANCE

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods and sets out the relevant licensing requirements in relation to these activities.

Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong)

The Dangerous Goods (General) Regulations set out the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and usage of such dangerous goods.

Pesticides Ordinance (Chapter 133 of the Laws of the Hong Kong)

Pesticides are divided into two categories, namely, registered and unregistered under the Pesticides Ordinance. The Pesticides Ordinance provides for the licensing requirements for, inter alia, importing, manufacturing, selling, offering or exposing for sale or supplying for offering to supply pesticides of both registered and unregistered pesticides. With respect to the usage of registered pesticides, no licence is required so long as the user is not engaged in the trade or business, whether for wholesale, retail or otherwise, of selling, offering or exposing for sale, supplying or offering to supply registered pesticides and sells, offers or exposes for sale, supplies or offers to supply any registered pesticides which he acquired for his own use.

OVERVIEW

The Company was incorporated in the Cayman Islands under the Cayman Companies Law on 9 July 2018 in preparation for the Listing and is the holding company of our Group. Our Company was incorporated as part of our Reorganisation, the details of which are set out in the paragraph "Reorganisation" below in this section.

Johnson Hong Kong, our only operating subsidiary, was incorporated on 10 March 1989. Our founders, Cheung Kam Chiu, Szeto Wing Tak and an Independent Third Party became shareholders of Johnson Hong Kong all in May 1989. For further details on the shareholding structure of our Group companies, please see the paragraph "Corporate History and Shareholding Changes of the Members of our Group" below in this section.

Immediately following the completion of the Global Offering, Hong Kong Huafa, HJ Capital (International) and Canvest (China) will hold 42%, 2.25% and 30.75% of the issued share capital of our Company respectively.

BUSINESS DEVELOPMENT

History and origin

Our history of providing cleaning services can be traced back to 1979 when Mr. Cheung, Kam Chiu, Mr. Szeto, Wing Tak together with three other Independent Third Parties established Johnson Cleaning Services Co. to provide cleaning services in Hong Kong. In 1989, our founders Cheung Kam Chiu, Szeto Wing Tak and one of the three Independent Third Parties, who was a merchant engaged in the cleaning services industry, established Johnson Hong Kong to continue the cleaning business and jointly managed the business operations of Johnson Hong Kong.

Our Group has expanded its cleaning services over the years to provide services to both private and public sectors. Since 1990, we started to tap into the provision of our services to the Hong Kong government by rendering building cleaning services for a statutory body responsible for Hong Kong's public housing. We were recognised as a registered supplier of cleaning services under the registered suppliers' list of a statutory body responsible for urban services in 1991. Since then, we have established long business relationships with a number of public sector customers.

Since June 2008 and up to August 2015, Johnson Hong Kong had been owned as to 50% by each of Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak, respectively. Further details on the background and relevant industry experience of Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak are set out in the paragraphs headed "Directors and senior management — Executive Directors" in this prospectus.

In August 2015, with a view to enhance the competitiveness of our Group by strengthening the shareholder base through introducing (i) Hong Kong Huafa, which is a subsidiary of Zhuhai Huafa, a large state-owned conglomerate based in Zhuhai, the PRC, (ii) Hong Kong Johnson Investments (BVI), which is a private company whose board of directors comprised of experienced financial investors, and (iii) HJ Capital (International), which is a company listed on the Stock Exchange. Our founders, Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak transferred their majority shareholding interest to Hong Kong Huafa, HJ Capital (International) and Hong Kong Johnson Investments (BVI). Being a minority shareholder, our founders, Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak continued to enjoy monetary return on their investment dependent on our Group's business performance under their management.

Pursuant to the sale and purchase agreement dated 8 August 2015 entered into between Mr. Cheung, Kam Chiu, Mr. Szeto, Wing Tak, Hong Kong Huafa, HJ Capital (International) and Hong Kong Johnson Investments (BVI), (i) Mr. Cheung, Kam Chiu transferred 4,590,000 shares of Johnson Hong Kong to Hong Kong Huafa, and (ii) Mr. Szeto, Wing Tak transferred 102,000 shares, 4,182,000 shares and 306,000 shares of Johnson Hong Kong to Hong Kong Huafa, Hong Kong Johnson Investments (BVI) and HJ Capital (International), respectively and at the total consideration of HK$229,140,000 (equivalent to approximately HK$0.68 per Share immediately after the completion of the Global Offering) calculated based on market value of equity interest in Johnson Hong Kong as at 30 November 2014, as appraised by an independent valuer. Based on the total consideration of the share transfers, the implied value of Johnson Hong Kong was approximately HK$254.6 million. After the completion of the above share transfers on 17 August 2015, Hong Kong Huafa, HJ Capital (International), Hong Kong Johnson Investments (BVI), Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak owned as to 46%, 3%, 41%, 5% and 5% shareholdings of Johnson Hong Kong respectively.

As Hong Kong Huafa desired to consolidate its control in Johnson Hong Kong, pursuant to a sale and purchase agreement dated 18 October 2017, Hong Kong Huafa acquired further 1,020,000 shares of Johnson Hong Kong from each of Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak at the total consideration of HK$45,000,000 (equivalent to approximately HK$1.2 per Share immediately after the completion of the Global Offering). The consideration for the share transfers was calculated based on the then market value of the equity interest in Johnson Hong Kong as at 31 March 2017, as appraised by an independent valuer. Based on the total consideration of the share transfers, the implied value of Johnson Hong Kong was approximately HK$450.0 million. After the completion of the above share transfers on 3 November 2017, Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak ceased to be shareholders but remained as directors of Johnson Hong Kong while Hong Kong Huafa, HJ Capital (International) and Hong Kong Johnson Investments (BVI) owned 56%, 3% and 41% shareholdings of Johnson Hong Kong, respectively.

With a view to tap into the environmental hygiene service market in Hong Kong, Canvest (China) entered into a sale and purchase agreement with Hong Kong Johnson Investments (BVI) on 23 March 2018 whereby Canvest (China) acquired 4,182,000 shares of Johnson Hong Kong from Hong Kong Johnson Investments (BVI), at the consideration of HK$184,500,000 (equivalent to approximately HK$1.2 per Share immediately after the completion of the Global Offering). The consideration for the share transfer was calculated by reference to the unaudited financial information of Johnson Hong Kong as at 31 December 2017 and the valuation report on Johnson Hong Kong prepared by an independent valuer. Based on the total consideration of the share transfer, the implied value of Johnson Hong Kong was approximately HK$450.0 million. After the completion of the above share transfer on 26 March 2018, Johnson Hong Kong was owned as to 56%, 3% and 41% by Hong Kong Huafa, HJ Capital (International) and Canvest (China) respectively.

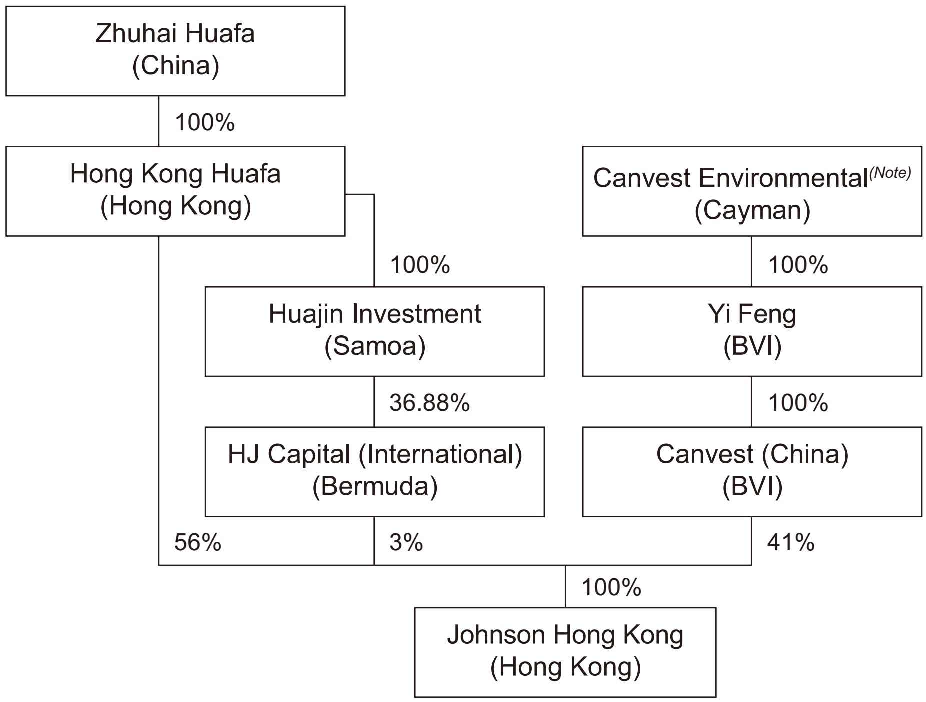
With the support of our stable management team who possesses extensive experience in the environmental hygiene service industry and our Controlling Shareholders, we believe that our Group has provided and will continue to be able to provide to our customers quality environmental hygiene services.

The key milestones of our business development are as follows:

Year	Business Achievement
1979	Establishment of Johnson Cleaning Service Co. by our founders Cheung Kam Chiu, Szeto Wing Tak and other Independent Third Parties to engage in the business of cleaning services in Hong Kong
1989	Our founders Cheung Kam Chiu, Szeto Wing Tak and an Independent Third Party became shareholders of Johnson Hong Kong, to continue the cleaning business
1990	We became an approved cleaning service contractor under list "II" of the approved lists of cleaning contractors of a statutory body responsible for Hong Kong's public housing
1991	We became an approved cleansing service contractor of a statutory body responsible for Hong Kong's urban services
	We were upgraded to group III cleaning contractors of a statutory body responsible for construction of public facilities such as police stations, fire stations and post offices in Hong Kong, and awarded four properties cleaning contracts for the districts
2002	We obtained ISO 14001 quality certification for environmental management system, ISO 9001 quality certification for quality management system and OHSA18001 quality certification for occupational health and safety management system
2015	Hong Kong Huafa became the largest shareholder of Johnson Hong Kong
2018	Canvest (China) became the second largest shareholder of Johnson Hong Kong

GROUP STRUCTURE PRIOR TO OUR REORGANISATION

The corporate structure of our subsidiaries immediately prior to the commencement of the Reorganisation is set out as below:



REORGANISATION

Our Group underwent the Reorganisation steps to rationalise our Group structure in preparation for the Listing and the major steps of our Reorganisation are summarised as follows:

Step 1: Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as a company with limited liability on 9 July 2018 with an authorised share capital of HK$10 divided into 100 shares of HK$0.10 each, One fully paid share was allotted and issued at the face value to the initial subscriber and subsequently transferred to Hong Kong Huafa on the same day. On 9 July 2018, our Company allotted and issued 55 fully paid shares of HK$0.10 each, 3 fully paid shares of HK$0.10 each and 41 fully paid shares of HK$0.10 each to Hong Kong Huafa, HJ Capital (International) and Canvest (China) respectively.

As a result, our Company became owned by Hong Kong Huafa, HJ Capital (International) and Canvest (China) as to 56%, 3% and 41%, respectively.

Step 2: Incorporation of Johnson BVI

Johnson BVI was incorporated under the laws of BVI on 10 August 2018 and was then authorised to issue a maximum number of 1 share of HK$1.00 each. One fully paid share was allotted and issued to our Company on 10 August 2018.

As a result, Johnson BVI became a wholly-owned subsidiary of our Company.

Step 3: Acquisition of Johnson Hong Kong by our Company

On 29 November 2018, the authorised share capital of our Company was further increased to HK$3,750,000 divided into 37,500,000 shares of HK$0.10 each. On 29 November 2018, Hong Kong Huafa, HJ Capital (International) and Canvest (China) respectively transferred 5,712,000, 306,000 and 4,182,000 shares of Johnson Hong Kong, being the entire issued shares of Johnson Hong Kong, to our Company at an aggregate consideration of HK$157.7 million, being the unaudited net asset value of Johnson Hong Kong as at 29 November 2018 (pursuant to the sale and purchase agreement dated 29 November 2018 and the confirmatory deed dated 23 April 2019) and settled by our Company allotting and issuing (i) 20,999,944 shares of HK$0.10 each in our Company credited as fully paid to Hong Kong Huafa, (ii) 1,124,997 shares of HK$0.10 each in our Company credited as fully paid to HJ Capital (International), and (iii) 15,374,959 shares of HK$0.10 each in our Company credited as fully paid to Canvest (China). As a result, 37,500,000 shares of HK$0.10 each in the Company were issued and credited as fully paid.

As a result, Johnson Hong Kong became a direct wholly-owned subsidiary of our Company.

Step 4: Share Subdivision of our Company

On 28 January 2019, each share of HK$0.10 each in the authorised share capital of our Company was subdivided from 37,500,000 Shares of HK$0.10 each into 375,000,000 Shares of HK$0.01 each. Following the Share Subdivision, Hong Kong Huafa, HJ Capital (International) and Canvest (China) each held 210,000,000, 11,250,000 and 153,750,000 Shares of HK$0.01 each in our Company, respectively. As a result of the Share Subdivision, the authorised Share capital of our Company became HK$3,750,000 divided into 375,000,000 Shares of HK$0.01 each.

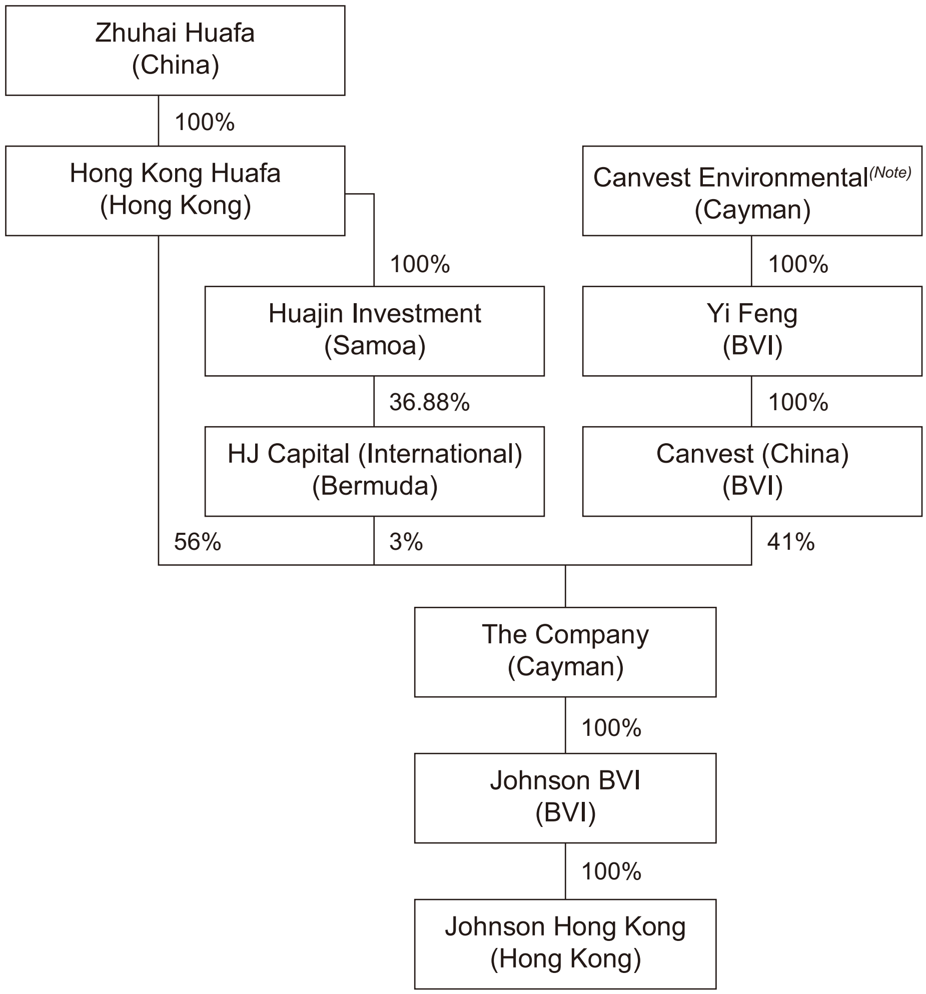
Step 5: Acquisition of Johnson Hong Kong by Johnson BVI and increase in authorised share capital of the Company

On 18 February 2019, the maximum number of authorised shares of Johnson BVI was further increased from 1 share of HK$1.00 each to 10,000 shares of HK$1.00 each. On 18 February 2019, our Company transferred 10,200,000 shares of Johnson Hong Kong, being the entire issued shares of Johnson Hong Kong, to Johnson BVI at an aggregate consideration of HK$157.7 million, being the unaudited net asset value of Johnson Hong Kong as at 29 November 2018 (pursuant to the sale and purchase agreement dated 18 February 2019 and the confirmatory deed dated 23 April 2019) and settled by Johnson BVI allotting and issuing 1 share of HK$1.00 each in Johnson BVI credited as fully paid to our Company.

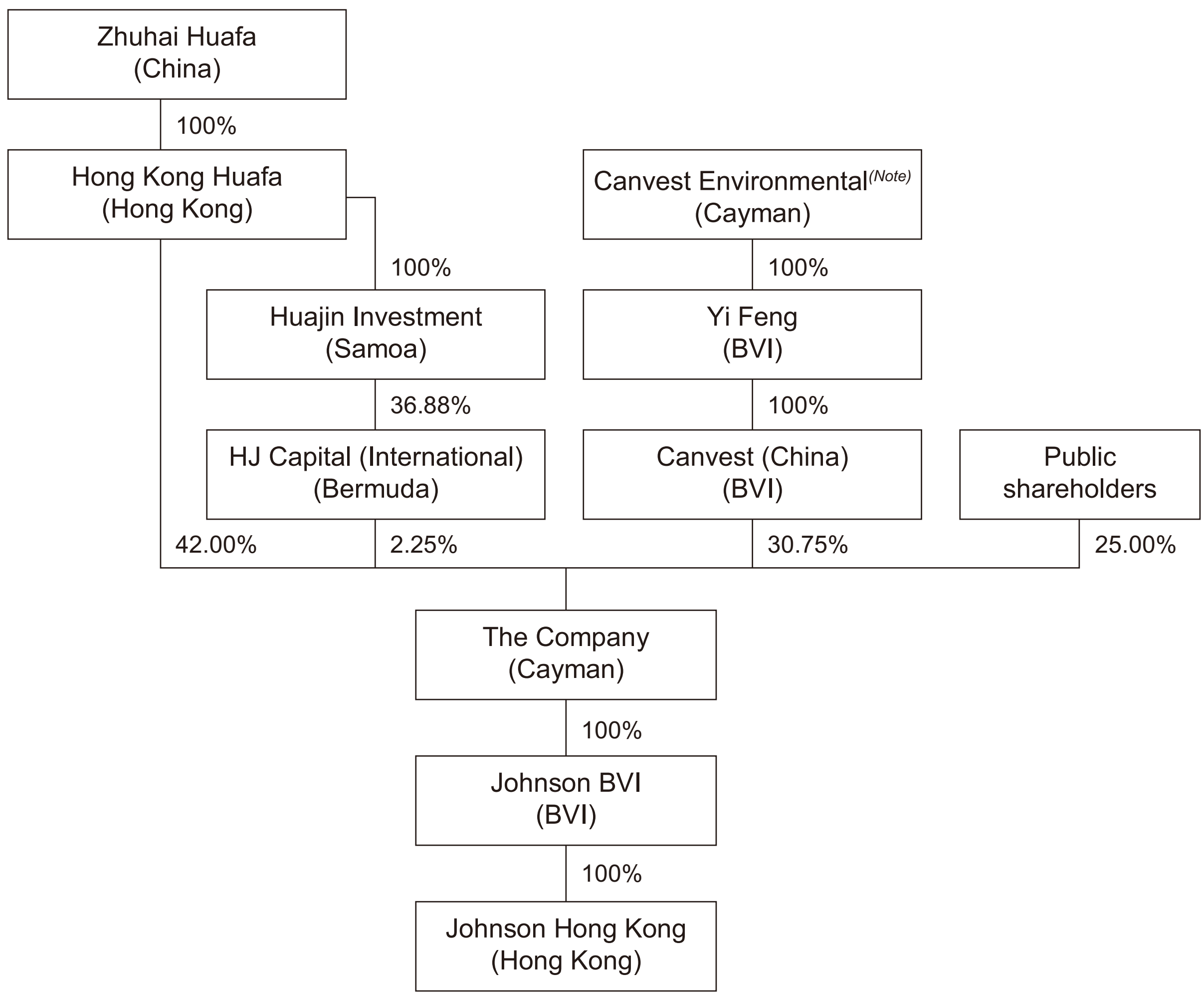
As a result, Johnson Hong Kong became a direct wholly-owned subsidiary of Johnson BVI and an indirect wholly-owned subsidiary of our Company.

On 3 September 2019, the authorised share capital of our Company was further increased from HK$3,750,000 to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each.

The corporate structure of our Group immediately after the completion of the Reorganisation but before the Global Offering is set out as below:



The corporate structure of our Group immediately after completion of the Global Offering is set out as below:



Note:

For details of shareholding structure of Canvest Environmental, please refer to the section headed "Relationship with our Controlling Shareholders — Overview" of this prospectus.

As Hong Kong Huafa, a Controlling Shareholder of our Group, is a wholly-owned subsidiary of Zhuhai Huafa, a large state-owned conglomerate based in Zhuhai, the PRC, the Reorganisation and the Global Offering require relevant regulatory approvals. GFE Law Office, PRC attorneys-at-law has confirmed that the Reorganisation and the Global Offering have been properly and legally completed in accordance with applicable PRC laws and all regulatory approvals have been obtained in accordance with PRC laws and regulations as at the Latest Practicable Date.

CORPORATE HISTORY AND SHAREHOLDING CHANGES OF THE MEMBERS OF OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as a company with limited liability on 9 July 2018 with an authorised share capital of HK$10 divided into 100 shares of HK$0.10 each. One fully paid share was allotted and issued at the face value to the initial subscriber and subsequently transferred to Hong Kong Huafa on the same day. On 9 July 2018, our Company allotted and issued 55 fully paid shares of HK$0.10 each, 3 fully paid shares of HK$0.10 each and 41 fully paid shares of HK$0.10 each to Hong Kong Huafa, HJ Capital (International) and Canvest (China) respectively. As a result, our Company became owned by Hong Kong Huafa, HJ Capital (International) and Canvest (China) as to 56%, 3% and 41%, respectively. On 29 November 2018, the authorised share capital of our Company was increased to HK$3,750,000 divided into 37,500,000 shares of HK$0.10 each. On 28 January 2019, each share of HK$0.10 each in the authorised Share capital of our Company was subdivided from 37,500,000 Shares of HK$0.10 each into 375,000,000 Shares of HK$0.01 each. On 3 September 2019, the authorised Share capital of our Company was further increased to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each.

Our Company was registered as a non-Hong Kong Company under the Companies Ordinary on 3 December 2018. The principal business activity of our Company is being the holding company of our Group.

Johnson BVI

Johnson BVI was incorporated under the laws of BVI on 10 August 2018 and was then authorised to issue a maximum number of one share of HK$1.00 each and was a wholly-owned subsidiary of our Company. On 10 August 2018, one share of HK$1.00 each in Johnson BVI was allotted to our Company. On 18 February 2019, the maximum number of authorised shares was further increased to 10,000 shares of HK$1.00 each. On 22 February 2019, one further share of HK$1.00 each in Johnson BVI was allotted to our Company. The principal business activity of Johnson BVI is being an intermediate holding company of our Group.

Johnson Hong Kong

Johnson Hong Kong was incorporated in Hong Kong with limited liability on 10 March 1989 with an authorised share capital of HK$1,000 divided into 1,000 shares of HK$1.00 each. Johnson Hong Kong is our only operating subsidiary principally engaged in provision of cleaning and environmental hygiene services in Hong Kong.

As at 1 April 2015, the commencement date of the Track Record Period, Johnson Hong Kong had issued and allotted 10,200,000 shares in Johnson Hong Kong.

From 1 April 2015 and up to 16 August 2015, Johnson Hong Kong was owned as to 50% by Mr. Cheung, Kam Chiu and 50% by Mr. Szeto, Wing Tak.

From 17 August 2015 and up to 2 November 2017, Johnson Hong Kong was owned as to 46%, 3%, 41%, 5% and 5% by Hong Kong Huafa, HJ Capital (International), Hong Kong Johnson Investments (BVI), Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak, respectively.

From 3 November 2017 and up to 25 March 2018, Johnson Hong Kong was owned as to 56%, 3% and 41% by Hong Kong Huafa, HJ Capital (International) and Hong Kong Johnson Investments (BVI).

From 26 March 2018 and up to 28 November 2018, Johnson Hong Kong was legally and beneficially owned as to 56%, 3% and 41% by Hong Kong Huafa, HJ Capital (International) and Canvest (China), respectively.

From 29 November 2018 and up to 17 February 2019, Johnson Hong Kong became a wholly owned subsidiary of our Company. For details, please refer to paragraph headed "Reorganisation — Step 3. Acquisition of Johnson Hong Kong by our Company" in this section.

Since 18 February 2019, Johnson Hong Kong became a direct wholly owned subsidiary of Johnson BVI and a indirect wholly owned subsidiary of our Company. For details, please refer to paragraphs headed "Reorganisation — Step 4. Share Subdivision of our Company" and "Reorganisation — Step 5. Acquisition of Johnson Hong Kong by Johnson BVI and increase in authorised share capital of the Company" in this section.

Save as disclosed in this section and save as pursuant to the Reorganisation, there has been no major shareholding change in respect of our Group during the Track Record Period.

OVERVIEW

We are a leading environmental hygiene service provider providing a wide range of environmental hygiene services in Hong Kong including provision of building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services. According to the Industry Report, we ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018.

With more than 39 years of experience in the industry, we extend our service coverage of our operations to all major districts throughout Hong Kong. We have been recognised as a registered supplier for providing environmental hygiene service for the Hong Kong Government since 1990 and have become one of the major environmental hygiene service providers for various departments of the Hong Kong Government. Apart from the providing environmental hygiene services to various departments of the Government, we have also provided the services to numerous non-government sector customers such as property management companies and education institutions. With our continuous efforts, we have maintained stable and long term relationships with our customers.

Led by our dedicated management team, we achieved steady growth in revenue and gross profit during the Track Record Period. For each of the years ended 31 March 2017, 2018 and 2019, our revenue amounted to approximately HK$1,204.1 million, HK$1,286.0 million, and HK$1,433.4 million, respectively. Our gross profit amounted to approximately HK$88.7 million, HK$95.6 million and HK$103.5 million in the corresponding years, respectively. Set forth below is the breakdown of our revenue derived from different customer types during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Government sector customers	719,504	59.8	760,499	59.1	869,223	60.6
Non-government sector customers						
– Commercial	301,161	25.0	346,834	27.0	395,596	27.6
– Institution *(Note)*	123,117	10.2	111,079	8.6	104,681	7.3
– Others	60,281	5.0	67,609	5.3	63,883	4.5
Total	1,204,063	100	1,286,021	100	1,433,383	100

Note: Institutional customers under the non-government sector generally represent universities and other higher education institutions.

Others mainly comprise, among others, property management companies, transport company and property developer.

Our Directors believe that our success relies heavily on our efficient management and maintaining of manpower, machineries, equipment and vehicles. To ensure quality and reliability of our environmental hygiene service, we allocated substantial resources in staffing and upgrading our equipment, machineries and motor vehicles to enhance our competitiveness. To ensure stable labour force to execute our projects, as at 31 March 2019, we had over 8,000 employees including a number of licensed technicians that hold licenses and certificates to perform specialised cleaning services such as working on suspended working platform and handling of chemicals. According to the Industry Report, the accidents rate for environmental hygiene service industry in Hong Kong was approximately 3.2% in 2017 and estimated to remain at 3.2% in 2018, while the accidents rate of our Group is lower than the accidents rate in environmental hygiene service industry in Hong Kong in the respective periods. In addition, our vehicle fleet, which comprised more than 100 vehicles as at 31 March 2019, includes specialised vehicles such as grab tippers, water wagons and refuse compaction vehicles which allow us to carry out various scope of environment hygiene services.

According to the Industry Report, the environmental hygiene service market in Hong Kong is forecasted to increase at a CAGR of 8.7% from 2019 to 2023. The market drivers include: (i) increasing of awareness of public hygiene; (ii) rising complexity and requirements for environmental hygiene service; and (iii) enhanced governance of environmental hygiene. Please refer to the section headed "Industry Overview" of this prospectus for details. Riding on our operational resources, our ability to render quality services and tailor environmental hygiene service to suit specific needs from customers and long history, our Directors believe that we have competitive edge in the industry in both government and non-government sectors and we are well-positioned to capture the growing demand for environmental hygiene services in Hong Kong.

COMPETITIVE STRENGTHS

Our success to date are attributable to the following competitive strengths. Our Directors believe our competitive strengths will continue to serve as the principal drivers to our growth and distinguish us from our competitors:

A leading environmental hygiene service provider in Hong Kong, which has a long history under the established brand "Johnson"

We are a leading environmental hygiene service provider in Hong Kong with more than 30 years industry experiences. According to the Industry Report, we ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018. Our founders have been engaging in provision of environmental hygiene services using the name "Johnson" since 1979 and they continued to operate environmental hygiene business in Johnson Hong Kong in 1989. Our Directors believe that our long history and our brand "Johnson" has established a strong market recognition in Hong Kong. Our distinctive logo, which appears on uniform of our frontline workers and our motor vehicles, has enabled us to cultivate among our customers and the general public a strong brand recognition and awareness. With proven track record in rendering reliable and quality environmental hygiene services and long-standing business relationships with our customers, our Directors believe that we are well-equipped and will continue to be relied on by our customers to carry out sizeable environmental hygiene projects in Hong Kong and the strong market recognition will give confidence to new customers to engage us for new environmental hygiene contracts. With our long-established brand image, our Directors believe that we are widely recognised by the general public and will be able to capture the increasingly stringent demand for environmental hygiene service in Hong Kong.

We have earned a number of awards and recognitions over the years, a recent example being the recognition as a "Caring Company" from the Hong Kong Council of Social Service. For details of our awards and recognitions, please refer to the paragraph headed "Awards, recognitions and corporate social responsibilities" of this section.

Long-standing and stable relationship with key customers in both government and non-government sectors

Being one of the earliest market players in the environmental hygiene service industry in Hong Kong, we have been recognised as a registered supplier for providing environmental hygiene services for the Hong Kong Government since 1990 and we have established long standing business relationships with a number of government and non-government sector customers. We have maintained a long term and stable business relationship with our five largest customers (in terms of revenue) during the Track Record Period, with the longest one being more than 20 years. For instance, we had secured multiple new and renewals of service contracts from various departments of the Hong Kong Government and commercial customers during the Track Record Period.

Our Directors believe that our competitive pricing policy, comprehensive range of services, and quality control mechanism are the key factors that attributed to the long-term relationships we have with our customers. With our established business relationships with a number of government and non-government sector customers, we are familiar with customers' needs which enable us to perform effectively and secure services contracts from our government and non-government sector customers. Our Directors believe that such substantial proven track record with recognisable customers in both government and non-government sector could strengthen our market recognition and we can leverage on our existing clientele to explore further business opportunities.

We have a competitive edge in the government sector

We maintained stable and long term relationships with our government sector customers. We have been recognised as a registered supplier for providing environmental hygiene services for the Hong Kong Government since 1990. We provided various environmental hygiene services to our government sector customers in a wide range of venues such as parks, recreation centers and streets. For each of the years ended 31 March 2017, 2018 and 2019, our revenue from government sector customers amounted to approximately HK$719.5 million, HK$760.5 million, and HK$869.2 million, respectively, representing approximately 59.8%, 59.1% and 60.6% of our total revenue for the corresponding years. As a substantial amount of our revenue was generated from our government sector customers, our Directors believe that it is important to maintain a stable relationship with government sector customers. Taking into consideration of our quality of service, reputation, long-term relationships with government sector customers, and resources such as manpower, machineries and vehicles, our Directors believe that we are able to enjoy a competitive advantage in securing services contracts from our government sector customers.

We are capable to undertake sizeable project

During the Track Record Period, we undertook a number of sizeable projects such as building, park and recreation center, street and educational institution cleaning projects. Our Directors believe that sizeable projects give rise to entry barriers to market players in the environmental hygiene service industry and our sizeable scale is one of the competitive advantages over small-size market players. We strive to provide top-quality service to our customers and allocate sufficient resources for each project. To ensure quality and reliability of our services, we allocated resources in staffing and upgrading our equipment and vehicles to enhance our competitiveness.

As at 31 March 2019, we had over 8,000 employees including a number of licensed technicians that hold licenses and certificates to perform specialised cleaning services. Our project managers closely monitor the performance of our frontline workers to ensure quality service. We provided on-the-job trainings to our frontline workers on topics ranging from ISO system, environmental protection and safety procedure to ensure our quality of services.

In addition, as at 31 March 2019, we had a fleet of over 100 motor vehicles with different specialised functions and our Directors believe that having our own fleet that can fulfil the majority of our operations allows us to provide more reliable services to our customers. Our Directors also believe that we can save cost with such an approach by managing our resources more effectively. Further, we have specialised motor vehicles such as grab tippers, hook-lift truck and water wagons so that we could meet any special needs of our customers. Our Directors believe that we are capable to cater for the growing standard and complexity of our customers' demands in a flexible and effective manner.

Stringent safety, quality and environmental control system

Our Directors believe that safety, quality and an environmentally friendly management system are the cornerstones to the success of our Group. Accordingly, we have devised and implemented an integrated management system for these aspects. We have been certified for the compliance of our integrated management system with ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). These certificates reflect our commitment to implement procedures for maintaining a high standard of occupational health and safety, environment and quality control. Our Directors are of the view that the implementation of the safe, quality and environmentally friendly management system would in turn enhance our reputation and work efficiency and boost overall profitability.

Further, in light of the growing concern of workplace safety and environmental compliance in the society, some of our current and potential customers have included workplace safety and environmental compliance as assessment criteria in selecting environmental hygiene service providers. Our Directors believe that our good compliance track record and management system allow us to obtain and retain a number of service contracts from our existing and potential customers.

Highly experienced management

Our management team is experienced in the environmental hygiene service industry in Hong Kong. Two of the founders of our Group, Mr. Cheung and Mr. Szeto, who have more than 39 years of experience in the industry are responsible for the overall management, strategic planning and business development of our Group. Further details of the qualification and experience of our Directors and senior management are set out in the section headed "Directors and senior management" of this prospectus.

A majority of our senior management team has been serving at our Group for more than 15 years. Most of them have extensive experience in project management and the environmental hygiene service industry, as well as knowledge about the operation of our Group. As a result, we are able to tailor-make competitive tenders that suit the needs of our customers, render a broad scope of environmental hygiene services in a timely manner and build up our customer base over the years.

CORPORATE STRATEGIES

The business objective of our Group is to further expand our market share and strengthen our leading position in the environmental hygiene service industry in Hong Kong by further growth of our operating scale through bidding more projects and enhancing our operational efficiency and service quality. To this end, our Group plans to implement the business strategies as stated below.

Enhance our ability to undertake new projects and improve our operational efficiency

According to the Industry Report, both the government and non-government sectors in the environmental hygiene service market are expected to experience a growth at CAGR of over 8% from 2019 to 2023 in the industry and market players are often constrained by working capital for business expansion as substantial capital is often required to meet the cash outlay and mismatch for payment, even though there are abundant opportunities and a considerable number of projects available in Hong Kong environmental hygiene service market.

Based on the aforesaid growth and demand in industry, although our Group was ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018, we had just taken up approximately 9.2% of market shares in 2018. With our strong market recognition, track record and extensive business reach to customers, our Group considers that there is room for expansion of our market shares through organic growth and seize the market share. In order to maintain or expand our business, we submit tender and/or quotations for service contracts from time to time for new projects. We have to maintain certain level of capital for the performance of service contracts, in particular, for operational expenses. We also have to reserve a portion of capital for acquiring motor vehicles, machineries and equipment for the performance of our service contracts as required by our customers. As such, sufficient initial working capital would be one of crucial factors limiting our abilities to undertake additional projects in order to increase our market share. The environmental hygiene service industry is labour intensive and requires substantial amount of cash for labour recruitment and training and payment of labour costs. We experienced cash flow mismatch mainly due to the fact that, when we undertake new sizeable projects, we have to make substantial up-front payments, including labour costs and procurement costs of equipment and raw materials, before receipt of payments from our customers.

At the beginning stage of a project, we have experienced substantial upfront cost needs and cash flow mismatch of those new projects. For further details, please refer to the paragraph headed "Timelags of cash flow" in the section headed "Financial Information" in this prospectus. In the light of the above our Directors consider that our recent cash and banking facilities available are only sufficient to maintain a healthy level of working capital to ensure the stability of our operation. As such, additional funds are crucial for our business expansion and the Global Offering would provide us an important capital base to achieve our business objective and pursue long-term development.

With our net proceeds from the Global Offering, we plan to use approximately HK$34.8 million, representing approximately 34.8% of the net proceeds from the Global Offering for financing the upfront costs at the early period of the new projects expected to be awarded since the second half of 2019, which are on top of the projects to be undertaken by our Group in maintaining our existing scale (the "**New Projects**"). Our Group plans to undertake 19 New Projects based on their estimated schedule to be launched with reference to, among others, the latest market information available to the Company. Based on our Group's record and knowledge on the potential cleaning projects in the market, our Directors believe that there will be not less than 450 suitable potential cleaning projects (i.e. projects not being our Group's existing projects which are subject to renewal) expected to require cleaning services commenced during the relevant period from July 2019 to June 2021 (the "**Potential Projects**"), among which it is expected that not less than 300 Potential Projects (i.e. not less than 100 Potential Projects from government sector and 200 Potential Projects from non-government sector) are expected to require cleaning services commenced during the period from July 2019 to June 2020 and not less than 150 Potential Projects (i.e. not less than 50 Potential Projects from government sector and 100 Potential Projects from non-government sector) are expected to require cleaning services commenced during the period from July 2020 to June 2021. For business expansion, our Group plans to bid for the Potential Projects when they are open for our Group to tender or provide quotations at the relevant time.

Upon adopting a prudent approach, it is estimated that there will be 19 New Projects of which our Directors have relatively high confidence in securing when the working capital level allows, based on among others (1) our Group's past experience in rendering similar projects or participating in the tender exercise of the same project; and (2) the established relationship with customers and customers' satisfaction on other cleaning projects of such customers rendered by our Group. Our Group considers to earmark these 19 New Projects for which our Group intends to apply its net proceeds from the Global Offering towards fulfilling certain upfront cash outflows when they are awarded such as upfront costs for labour and materials, acquisition costs for motor vehicles and machineries and deposits securing the issue of performance bonds by banks.

The 19 New Projects were earmarked based on the status as at 31 August 2019. There is inherent uncertainty involved in accurately predicting which projects our Group will be able to secure through the tender or quotation process. Should there be further change in the listing timetable, our Group expects that the timing of receiving the net proceeds from the Global Offering and in turns the timing of our Group in adopting more aggressive project bidding for business expansion could change, which could result in changes in projects which will constitute the New Projects. Hence, the projects constituting the New Projects could be updated on a rolling basis depending on the timing of the listing timetable and status of bidding of Potential Projects.

Given that our Group intends to expand its business scale by undertaking additional projects to the extent which the total contract sum of these projects reach to not less than that as represented by the New Projects, it intends to bid for a series of Potential Projects as mentioned above. Should any of the tender or quotation bids for these New Projects become unsuccessful, our Group intends to allocate the portion of proceeds for financing the relevant upfront costs and acquisition costs for motor vehicles and machineries for other new projects successfully obtained during the relevant period.

Our Directors confirm that the size of our Group's project portfolio remained relatively stable during the Track Record Period due to the fact that our Group adopted a more conservative approach in bidding of new projects due to concerns for, among others, upfront costs, acquisition costs of motor vehicles and performance bonds. Under the limitation of financial resources, our Directors consider the number of projects obtained by our Group became limited and restrained the overall project bidding success rate accordingly during the Track Record Period. During the Track Record Period, the market share of our Group in the environmental hygiene industry slightly increased from 8.9% in 2017 to 9.2% in 2018. Nevertheless, our Directors are of the view that our Group was able to keep up its profit margin through prudent pricing approach, which could be reflected by the fact that the gross profit margin maintained by our Group for environmental hygiene services is generally higher than that of the major competitors in the industry.

Since our Group is a leading environmental hygiene service provider in Hong Kong with more than 39 years of experience in the industry and has just taken up approximately 9.2% of market shares in 2018, our Directors are of the view that there are substantial projects in the market for our Group to undertake as supported by the Potential Projects in the market expected to be taken place during the relevant period as illustrated above. With the additional funding obtained through the Global Offering, our Group will be able to adopt a more aggressive approach and offer more competitive terms in the tenders or quotations (without adversely affecting the profitability and financial conditions of our Group in material respects), thus increase our Group's bidding success rate and capacity of taking up more additional projects. Under these circumstances, our Directors believe that it is not difficult for our Group to grasp the market growth as estimated by Frost & Sullivan or even seize further market shares of its competitors, taking into account of our Group's (1) extensive business reach and service types, (2) proven track record and service quality having been widely recognised by the general public and (3) brand awareness, publicity and credibility further strengthened after the Listing which in turns raise our Group's ability in securing the potential projects.

The Potential Projects our Group intends to submit tender or provide quotations only represent those having been identified by our Group at the current stage. Meanwhile, the market size of the environment hygiene industry is expected to grow at a CAGR of approximately 8.7% for the period from 2019 to 2023 according to the Industry Report (representing average annual increase of approximately HK$1,630.8 million in the market size). Given that our Group had just taken up approximately 9.2% of market shares in 2018 (while the total market size in 2018 amounted to approximately HK$15,538.2 million), our Directors considered there are substantial cleaning projects in the market to undertake and room for expansion of our Group's market shares. Should there be any suitable new potential projects identified in the future, our Group would also submit tenders or quotations for them. Our Directors anticipated that the total new cleaning projects to be bid by our Group in the relevant period should exceed those currently identified and there are substantial projects available for our Group to provide tender or submit quotation during the period up to June 2021. This is also supported by the fact that our Group has been submitting not less than 400 tenders or quotations per year for new cleaning projects (exclusive of the then existing projects which were subject to renewal) during the recent two years, based on our Group's record.

The latest overall project bidding success rate of our Group in the recent two financial years taking into account all the projects bid was approximately 20%. As mentioned above, our Directors consider such rate underestimates our Group's actual ability in succeeding the bidding because our Group's financial resources was limited during the Track Record Period. In addition, even if these 19 New Projects are not successfully obtained in full, our Directors are of the view that our Group can be able to obtain other new projects of similar size as alternative during the relevant period for its expansion plan through identifying and bidding of new projects in the market proactively.

Our Directors consider the estimation that our Group will obtain not less than 19 New Projects (or other alternative projects as replacement) out of the Potential Projects that our Group intends to bid during the relevant period for business expansion is reasonable. On the basis of the above including (i) there are substantial projects in the market available and suitable for our Group during the period from July 2019 to June 2021 while our Group only took up approximately 9.2% of market shares in 2018; (ii) the Potential Projects just represented those identified by our Group at the moment and it is considered that there will be other suitable cleaning projects appeared in the market in the future along the relevant period according to the fact that the new cleaning projects available for our Group to bid annually typically exceeds 400 during the recent years; and (iii) the likely increase in the overall project bidding success rate of our Group compared to that in the recent two financial years (being approximately 20% as mentioned above) as it is not difficult for our Group to obtain more projects at a higher success rate and expand business to the extent of the additional contract sum to not less than that as represented by the New Projects (the Group has been submitting over 400 tenders or quotations per year for new cleaning projects) after the Listing when our Group is not limited by working capital level and able to offer more competitive terms in the tenders or quotations given our Group's (i) leading position in the market and extensive business reach and service types, (ii) proven track record and service quality having been widely recognised by the general public and (iii) brand awareness, publicity and credibility further strengthened after the Listing. For details of 19 New Projects, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Our Group has yet to submit the tenders or quotation for the New Projects save for one tender contract from a government sector customer and three tender contracts from non-government sector customers. Our Directors confirm that none of the 19 New Projects are renewal projects and thus upfront costs would be required. The expected upfront costs to be incurred would be approximately HK$66.3 million which are estimated based on (i) the expected labour costs for frontline workers that are estimated based on average ratio (being historical direct labour costs to revenue) of estimated monthly revenue of respective projects for a three-month period (with reference to the historical pattern that labour costs are required to be settled shortly after the first month end and the accounts receivable turnover days of around three months); and (ii) the expected material procurement costs that are estimated based on the average ratio (being historical material procurement and transportation costs to revenue) of estimated monthly revenue of respective projects for a one-month period (with reference to the latest accounts payable turnover days of around two months and accounts receivable turnover days of around three months). After utitlisation of the net proceeds of HK$34.8 million intended for financing the upfront costs of the New Projects, our Group plans to finance the remaining upfront costs with our available internal resources at the relevant time. In view of the (i) imminent pipeline of these New Projects and (ii) the tight schedule in incurring substantial expenditures for procurement of motor vehicles, machineries and raw materials for performance of services once the projects are awarded to us by the customers (i.e. usually within one month) and labour costs 7 days after services provided but before the invoice issued to customers (i.e. usually 1 month after the cleaning service rendered), our Group has financing need and sufficient financial resources has to be available in order to fulfil the prompt capital expenditure requirements once the New Projects are awarded to us. Besides, our Directors consider there are abundant market opportunities in addition to the New Projects in the relevant period, the financial resources raised from the Global Offering can enable us to stay competitive in bidding and to undertake new projects at opportune time and stand better chance to capture the shares in growing market.

As at 31 March 2019, based on the motor vehicles and machineries having been engaged in relevant projects and our business operation, approximately 91% of the existing motor vehicles have been utilised in the business operations of the Group and most of the existing major machineries for the rendering of our cleaning services had been engaged in our existing projects. On the other hand, the procurement cost of the motor vehicles and machineries in relation to the New Projects is also one of the material initial funding needs before the commencement of New Projects. Given the substantially full deployment and usage of our Group's motor vehicles, machineries and equipment under the existing projects, our Group considers that it is necessary to acquire new motor vehicles and machineries for undertaking the New Projects in order to meet the contract obligations to render the cleaning services quickly and efficiently to meet our customers' needs. In addition, as many of our Group's motor vehicles and machineries have been used for many years, in particular our motor vehicles having been substantially depreciated (just represented approximately 39.5% of the book value as at 31 March 2019), which need to be replaced, our Directors believe that the purchase of those new motor vehicles and machineries would enhance our Group's ability to offer quality and reliable services to our customers. Moreover, according to the Industry Report, environmental cleaning services providers in Hong Kong that are equipped with motor vehicles and machineries of sufficient and sizeable scale possess the competitive edge as they are able to provide broad scope of environmental cleaning and/or waste management services and deploy motor vehicles and machineries quickly and efficiently to meet service obligations under multiple projects and in different districts. As such, we believe that purchase of new motor vehicles and machineries would also enhance our competitive advantage in securing new cleaning projects.

We plan to use approximately HK$5.8 million of our net proceeds from the Global Offering to acquire 698 machineries mainly for our New Projects, for further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Save for the newly purchased light goods vehicles which could be shared for use in various existing projects and New Projects, the motor vehicles to be acquired using the Listing proceeds are to be used solely in New Projects.

According to the Industry Report, it is the industry trend to gradually phase out commercial vehicles by stages according to their pre-Euro diesel type according to the relevant rules and regulations to improve roadside air quality and there is increasing requirement in emission standard of motor vehicles deployed for undertaking the cleaning projects nowadays. Our Group's recent tenders in particular for government projects are required to be deployed with motor vehicles of Euro V or later emission standard and that our Group's existing motor vehicles may not be applicable for its future projects given the continuous strengthening of the motor vehicles emission standard.

Existing projects will only share the use of light goods vehicles among the motor vehicles to be acquired using the IPO proceeds. Our Directors consider that light goods vehicles to be acquired using the net proceeds from the Global Offering would be substantially occupied and utilised for the New Projects once they are deployed after obtaining the relevant projects, including government projects which have to be designated with prescribed number and type of specialised motor vehicles. Since our Directors consider that the function of light goods vehicles is more flexible and can be applied in a wide range of projects, our Directors intend to allocate these vehicles for contingency needs from other existing projects depending on their availability (as certain light good vehicles for existing projects will need to be phased out for being pre-Euro IV diesel commercial vehicles by the end of 2019). Out of the 17 light good vehicles to be acquired, we expect that one of them, which will be allocated to a New Project in the non-government sector, can be shared for contingency needs in the existing projects on a more frequent basis.

During the Track Record Period, our Group had entered into finance lease arrangements for motor vehicles. Should the Group enter into further finance lease arrangements and/or obtain banking facilities to finance the purchase of additional machineries, equipment and specialised motor vehicles, the Group's gearing ratio will further increase, and additional finance costs will be incurred. Our finance costs amounted to approximately HK$7.0 million, HK$6.8 million and HK$6.9 million for each of the three years ended 31 March 2017, 2018 and 2019 respectively, which already accounted for approximately 11.7%, 13.9% and 19.7% of the Group's profit from operations of the respective financial years. While our net profit margin was only 3.7%, 2.8% and 2.4% (excluding the Listing expenses) during the Track Record Period, incurring further finance expenses for the purchases of motor vehicles and machinery could adversely affect the Group's profitability. Further, our Directors are of the view that the interest rate for debt financing may fluctuate, especially when market uncertainty arises and during economic downturn, which may adversely affect our profit margin. As such, we plan to acquire suitable new specialised motor vehicles and new machineries and equipment for undertaking the New Projects with proceeds from the Global Offering. We plan to use approximately HK$17.4 million, representing approximately 17.4% of the net proceeds from the Global Offering to purchase suitable new specialised motor vehicles. We also plan to use approximately HK$5.8 million, representing approximately 5.8% of the net proceeds from the Global Offering to purchase suitable new automated machineries and other equipment for undertaking the New Projects.

Based on the terms of finance leases previously used by the Group for purchase of motor vehicles, the Group would have to incur a total of approximately HK$1.5 million additional finance costs for the purchase of new motor vehicles for the New Projects through finance lease instead of through net proceeds from the Global Offering. As a result, our Directors consider that acquiring the new motor vehicles and machineries is more cost-effective than leasing the motor vehicles and machineries.

Expand the variety of our services

Our Directors believe that expanding the variety of our services would enhance our competitiveness over our peers thus improve our financial performance. In order to develop our waste management business in the future, we intend to use approximately HK$17.0 million, representing approximately 17.0% of the net proceeds from the Global Offering to develop or acquire businesses related to waste management such as running of a fleet of specialised vehicles (ie. refuse compaction vehicles). During Track Record Period, due to our limited number of refuse compaction vehicles, we could only undertake waste collection and delivery services for a small number of our projects. With the expanded waste management capacity and capabilities, we could better serve our customers and enhance our operational flexibility. For further details of use of proceeds on development of our Waste management business, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

We plan to expand our waste collection fleet since second half of 2019 and the relevant workforce to carry out daily collection of waste from specified waste collection points and properly dispose of all the collected waste on the day at the disposal sites (government refuse transfer station/landfills).

Our Directors consider that there is both internal and external market demand for our Group's waste management services intended to be developed as illustrated below. For internal demand, regarding the waste management work involved in our Group's existing projects, as at the Latest Practicable Date, our Group mainly engaged independent waste management service providers to collect the waste for our projects to which we paid approximately HK$15.1 million, HK$16.5 million and HK$20.7 million during the Track Record Period. Our Group mainly outsourced the waste management work to third party service providers due to limited number of refuse compaction vehicles as at the Latest Practicable Date. Upon development of our Group's waste management business after the Listing, our Group could utilise such internal waste management team developed to take over the waste management work from the independent waste management service providers in the existing projects in the non-government sector, so as to reduce our Group's reliance on third parties for business operation in order to maximize the economic benefit could be captured by our Company for each project. Such waste management work involves mainly the collection and transportation of wastes from certain refuse collection points of customers sites to government designated waste disposal facilities. Our Directors believe that our Group's operating costs regarding the waste collection of its projects can be reduced by approximately 12% when our Group utilises its own fleet developed compared with engaging third party waste management service providers.

After evaluating the business model, operations, services and types of waste that we will generally handle in the waste management business to be developed pursuant to our expansion plan, our Directors expect (i) the business model and operations will not materially deviate from those of our existing waste management services, (ii) the types of waste will be the same as those of our existing business, and (iii) the services provided will not overlap with the services provided by FEHD. On such basis, we have been advised by our Hong Kong Legal Counsel that our Group is not required to obtain a licence to provide waste management services to be developed pursuant to the expansion plan. For further details, please refer to the section headed "Business — Environmental Protection and Compliance" of this prospectus.

For external demand, according to the Industry Report, the market size of the waste management services in Hong Kong was approximately HK$608.2 million in 2018 and market size of waste management services in Hong Kong is estimated to grow at a CAGR of 8.0% from 2019 to 2023. The entry barriers for engaging in such business mainly rest on working capital requirements for establishment and running of fleet and establishing business relationship with clients. Given our Group's widely recognizable brand image and service quality, and its proven track record in providing wide range of cleaning services to the general public which enable it to gain extensive clientele and creditability from wide spectrum of customers on services it undertake, our Directors consider it is not difficult for our Group to extend its service scope to include the waste management service to existing and potential customers. Furthermore, our Group has obtained several letters of intent or written confirmations from potential customers stating that they would be interested in engaging our Group for provision of waste management services or inviting our Group to take part in the corresponding tender exercise. The aforesaid potential customers are either (i) new customers or (ii) existing customers (including certain major existing customers) with waste management services excluded from the scope of services in projects awarded to our Group. As such, provision of waste management services to the aforesaid potential customers would amount to new business opportunities in the non-government sector to our Group. In addition to the aforesaid existing and new business opportunities in the non-government sector, our Group also plans to start submitting tenders for provision of waste management services in the government sector as and when appropriate. With the long years of experience in undertaking cleaning projects in the government sector, our Directors believe that our Group has developed good reputation in the government sector with proven track record in terms of service quality. Our Directors are of the view that our Group can gain competitive advantage through such recognition when it participates in the tender bidding for waste management projects in the government sector.

Based on the aforesaid, coupled with the estimated growth in the market size of the waste management services in the Industry Report, our Directors are of the view that there will be sufficient internal and market demand for our Group's newly developed waste management services in the foreseeable future and confident that the potential customers will use our Group's waste management service.

It is our original intention to develop our own fleet to run the waste management business. However, if we could come across with attractive opportunities to acquire waste management business which can meet our criteria, we may consider to shift the proceeds allocated for developing our own fleet to acquisition of the waste management business. The option for acquisition of business is only planned for providing us with higher flexibility when developing the waste management business. Should there be no acquisition opportunities exist or the acquisition opportunities do not fit our criteria, we would still peruse our original plan in establishing our own fleet by purchasing the relevant motor vehicles. Our plan to develop the fleet for waste management business would not be altered regardless of whether those attractive acquisition opportunities exist.

Upgrading our hardware and software and recruiting talents to cope with our business growth and enhance the quality of our service

As our Group continues to grow in business scale and market exposure, we plan to upgrade our hardware and software to improve our management of frontline workers, operation and data security. In particular, we plan to implement an attendance monitoring system and deploy devices for frontline workers to monitor their attendance in performing their duties. The attendance monitoring system, fleet management system and data integration system would enhance our overall operational efficiency, enhance record keeping and data maintaining accuracy and mitigate the risks of manual errors as we currently involve substantial manual record keeping procedures on our employee attendance record and personal information files as well as our motor vehicles' information.

As our Group had over 8,000 employees as at 31 March 2019 and more than 100 motor vehicles as at 31 March 2019, our Group intends to implement the hardware and software upgrade for promoting our Group's data analysis, management and work efficiency.

(a) At present, our Group's frontline workers use time cards or attendance logbooks at sites to record their daily attendance and their attendance are checked by the site supervisors manually. At the end of each month, our Group's clerks collect and submit the attendance records to the human resources department. The staff in human resources department will input the attendance data into the attendance system manually. Considering the large volume of data to be input manually, the input process is time consuming and human errors may be inevitable. As such, our Group's staff have to spend additional time to check the data being input into the system.

    After the installation of attendance monitoring system, each frontline worker will be assigned a mobile device (personal digital assistant device or smart watch) for attendance and communication purpose. Our Group will install detectors at the entrance of each work site, which will be able to track and record the attendance of each frontline worker automatically when they place the mobile device close to the detector. The attendance of each frontline worker will be recorded and the attendance data will instantly be transmitted to our Group's attendance monitoring system, which is able to shorten the time needed for data input process and enhance the accuracy of the data.

    Our Directors believe that the attendance monitoring system can improve the efficiency of our Group's business operation after taking into account its potential benefit. Our Directors consider that the installation of the attendance monitoring system is able to (i) enhance the flexibility to assess the system anytime and anywhere via any personal computer with internet connection; (ii) provide information to effectively plan and deploy our Group's frontline workers; (iii) improving our Group's internal communication as our Group's frontline workers are able to apply leave via their mobile devices; and (iv) facilitate the recruitment process.

(b) At present, our Group's operation managers are responsible for preparing monthly working schedule for assigning our Group's motor vehicles to different work sites in order to fulfill each contract's requirements. Due to the operation needs, the monthly working schedule is subject to change and it is time consuming to amend the monthly working schedule manually. In addition, our Group's operation manager may not be able to allocate the motor vehicles effectively through personal communications.

After the installation of the tracking system for our Group's motor vehicles, a GPS locator will be installed in each motor vehicle and the GPS locator is able to track the location and speed information of each motor vehicle. Such data will be transmitted instantly to our Group's operation manager for preparation of monthly working schedule effectively. In addition, the tracking system is able to provide best alternative route for the drivers to consider and thus saving time and fuel costs.

The tracking system, with the function of instant tracking of real-time location of motor vehicles, is able to facilitate flexible and timely allocation of motor vehicles depending the needs of various projects of our Group, especially for contingency arrangements for unforeseen situations like adverse weather. Moreover, the tracking system can help alert the drivers when they drive faster than the speed limit. As a result, our Directors believe that the tracking system can improve the efficiency, service quality and staff safety of our Group's business operation.

(c) At present, our Group does not have a data integration system to integrate the system of each of its departments. As such, it is not convenient to share information to the management.

After the installation of the data integration system, the management is able to communicate with different departments effectively, process and approve documents as well as monitoring the operation in a single web based platform. The data integration system is able to access anytime, anywhere via any personal computer with internet connection and allows the management to have better monitoring and control of our Group's business operation.

Our Directors believe that the data integration system can improve our Group's management effectiveness. After taking into account the tangible benefit of the data integration system, our Directors consider that the installation of the data integration system is able to (i) provide up-to-date information to our Group's management for their decision making; (ii) allow our Group's management to have a clear picture of the availability of our Group's resources; and (iii) enhance our Group's ability to share information between different departments.

Given our large number of employees and motor vehicles, our Directors consider that these systems are essential in order to (i) monitor the availability of our human resources and motor vehicles to ensure sufficient and timely allocation of resource to projects to minimize idle capacity and fully utilise our resources efficiently; (ii) streamline the payroll procedures and enhance data accuracy in various aspects such as salary calculation; (iii) identify fuel-efficient route for each of our motor vehicles to improve efficiency; and (iv) promote connectivity and security of information between the headquarter and worksites.

After upgrading our Group's hardware and software system, our Directors believe that such IT system upgrade deployment could streamline our Group's operation and administration including but not limited to enhance relevant employees' efficiency in managing and handling their respective functions which could in turns enhancing their capacity in undertaking increasing tasks and mitigate the risk of manual error to cope with our Group's business expansion.

Our Company's business is labour intensive in nature, given our Group's scale of employees and workers involved, considerable volume of manual work is involved in maintaining proper record keeping and making relevant filing and reporting to comply with relevant rules and regulations such as tax filings. As our Group intends to expand its business, it is expected that the number of frontline workers, motor vehicles and volume of manual work involved for operation and administration would continue to increase.

The frontline workers of our Group are currently using physical time cards or attendance logbooks at sites to record the daily attendance. The site supervisors are required to physically check and confirm the attendance of the frontline workers. At the end of each month, the site clerks collect all attendance records to the human resources department, which is responsible for inputting and checking manually all attendance data into the attendance system. Even with the help of the site clerks, it is a very time consuming process to input large amount of data within a limited time and hence inadvertent errors are inevitable. In order to increase the accuracy of the data, the human resources department has been spending substantial time to conduct checks before data is transferred to payroll system for final processing.

Without proper upgrading of our Group's IT system, our Directors consider our Group would have to devote substantial manpower in preparing and checking for record keeping, making timely regulatory filing and ensuring timely allocation of resource to projects to minimize idle capacity in order to fully utilise our Group's resources efficiently. Also, in absence of the upgraded IT system, our Group is exposed to higher risks of manual errors, which may not be operational efficient and compliance effective. After the implementation of the data integration system to enhance record keeping and data maintaining accuracy for workers, even in the event that our Group's workers scale continues to increase along with business expansion, our Directors consider the risk of manual errors in making timely regulatory filings could be reduced and its internal control could be further strengthened.

Also, instant attendance information provided by the new system will enable the operation team to plan better worker deployment. Frontline workers may also make use of the mobile devices to apply leave, leave information will be instantly transmitted to host system and interfaced back to HR system for record keeping and subsequent process. As for staff recruitment, site supervisor can upload new frontline workers' document such as identity documents as registration data to ensure data correctness.

Our Directors believe that through the continuous upgrading and maintenance of our hardware and software, our Group will be able to improve our operational efficiency, reduce our administrative costs, enhance our service quality and profitability and provide better support to environmental hygiene services in the long run. For further details in relation to our use of proceeds to implement the plans set out above, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

REASONS FOR THE LISTING AND GLOBAL OFFERING

Our Directors consider that equity fund raising via the Listing is the most appropriate means of fund raising (other than funding solely by internal resources and debt financing) and is beneficial to our Company and its Shareholders as a whole notwithstanding the substantial expenses involved and the dilution effect to the Controlling Shareholders taking into consideration the reasons below:

1. We have a genuine need for funding for expanding our business operation

Banking facilities and our cash level cannot satisfy the funding needs for expansion of our business

Historically, most of our cash generated from its operation was used on financing the operation of its then existing projects as the environmental hygiene services business require substantial amount of cash to meet the monthly expenditure on labour costs, cleaning materials and other operating expenses. Our Group's internal resources is only sufficient for our current scale of operations before the implementation of our business strategies and future plans as set out in this prospectus. Our drawdown from the unutilised banking facilities is limited due to the restriction of financial covenants. Furthermore, the factoring facility allows us to cash in only upon the presentation of service fee invoices to the banks, the proceeds from which are mainly applied for payment of labour costs of our existing projects. Also, the guarantee line facility is mainly drawn down for security of due performance as required under our service contracts.

On the other hand, substantial working capital is required to maintain our daily operations. Our Group's unutilised overdraft and revolving loan facility (which is readily available for drawdown) together with our bank and cash balances was for our daily operation and stand-by for the purpose of financing the upfront costs for projects recently awarded to us and other projects for which we are in the advance stage of bidding and negotiation and serve as our Group's liquidity buffer in the event the sales receipts cannot be settled by the customers in a timely manner and cashflow mismatch is widened due to increase in wages and other expenses as mentioned below.

As at 31 March 2019, our Group's bank and cash balances was approximately HK$87.3 million, such balances as at the above date was only a snapshot of our Group's available cash after the collection of receipts from certain customers in such month. The bank and cash balances as at the month end are generally reserved for (i) salaries payment to our Group's frontline workers during the first week (i.e. the cash outflows for salary payment already amounted to approximately HK$86.2 million in the first week of April 2019); (ii) payment of the monthly operating costs (which the theoretical average monthly costs and expenses (inclusive of labour costs) amounted to approximately HK$94.5 million, HK$103.1 million and HK$115.6 million respectively taking into account the historical cost of services and administrative expenses and finance costs (without non-cash items including depreciation, amortization of prepaid land lease payments, allowance/reversal for accounts receivables and provision for employee benefits)) during the Track Record Period; and (iii) maintaining the daily operation as our Group already encountered net cash used in operating activities of approximately HK$11.2 million for the year ended 31 March 2018.

In addition, given that employee benefits in particular for redundancy costs and long service payment for which the provision made already amounted to approximately HK$15.5 million in aggregate as at 31 March 2019, our Group has to reserve sufficient liquidity buffer for settlement of such employee benefits.

Besides, subsequent to 31 March 2019, our Group has been awarded with 36 tender contracts with aggregate tender contract sum amounted to approximately HK$229.3 million and 119 submitted tenders with results yet to be released. In the initial stage of the project after its commencement, our Group has to bear the upfront costs for these projects and pledge relevant amount of deposits with bank for obtaining performance bonds to secure its due and timely performance.

Given that no prepayments are made by customers before commencement of Group's projects, our Group is unable to make use of such proceeds to settle upfront costs or serve as deposits for obtaining performance bonds of relevant projects at their start-up stage. It is necessary for our Group to keep sufficient liquidity buffer to undertake new cleaning projects recently awarded or pending to be awarded in order not to jeopardize our Group's business growth.

Given that our Group's monthly operating expenditures (the substantial of which has to be paid out shortly after the month end for labour costs before substantial sales receipts could be collected) and provision made for redundancy costs and long service payment already amounted to approximately HK$15.5 million in total as at 31 March 2019, our Directors consider that our Group's internal resources including (i) cash and bank balances available plus (ii) the Additional Loan (as defined below) for drawdown (i.e. HK$85.4 million in total as at 31 July 2019) could only be served as certain working capital for around one month to cater for the cash flow mismatch between collection of payments from customers and payment of wages and other operating expense and certain of its liquidity buffer to undertake recently awarded projects and potential projects to be awarded to support our Group's existing operations. If there is no additional funding buffer from the Global Offering, our Group's current cash and bank balance and the amount of Additional Loan (as defined below) for drawdown are not sufficient to fund the expansion plan.

In addition, our gearing ratio amounts to approximately 76.9% for the year ended 31 March 2019, which we do not intend to increase further. In addition, our finance costs amounted to approximately HK$7.0 million, HK$6.8 million and HK$6.9 million for each of the three years ended 31 March 2017, 2018 and 2019 respectively, which already accounted for approximately 11.7%, 13.9% and 19.7% of the Group's profit from operations of the respective financial years. Our Directors are of the view that the interest rate for debt financing may fluctuate, in particular when market uncertainty arises and under economic downturn situation where our performance could be adversely affected in terms of our profit margin scale.

We are not able to further increase our reliance on debt financing to finance our expansion plan

Although our Group had unutilised banking facilities of approximately HK$184.4 million as at 31 July 2019, it comprised (i) overdraft and revolving loan facility of approximately HK$52.3 million (among which the overdraft facility and revolving loan facility amounted to approximately HK$11.3 million and HK$41.0 million respectively); (ii) factoring facility of approximately HK$46.7 million; and (iii) guarantee line facility of approximately HK$85.4 million, among which only items (i) and (ii), with an aggregate amount of approximately HK$99.0 million, were available for cash drawdown.

Our unutilised banking facilities, which are for the purpose of cash drawdown as mentioned above, cannot be fully drawn down, as a bank imposed several financial covenants on our Group. In particular, our Group covenanted to maintain its net gearing ratio and net debt to EBITDA not greater than the ratio levels designated in the relevant facility letters. The additional loan available for further drawdown (the "**Additional Loan**", being the remaining loan then available for drawdown (after taking into account the utilised banking facilities which have already been used for financing relevant projects) without breaching relevant financial covenants) only amounted to approximately HK$4.7 million in order to fulfil the financial covenants as at 31 July 2019. During the Track Record Period, we have drawn down the then available loans for payment of operation costs of our projects, especially at the times when there was cash flow mismatch between collection of payments from customers and payment of wages and other operating expense. However, there has been a recurring pattern that such Additional Loans for drawdown drops to a low level in months other than those near the fiscal year end during the year, as the settlement of invoices by the government sector customers slows down after the fiscal year end. For instance, the Additional Loan for drawdown as at 30 September 2018, 31 December 2018 and 31 January 2019, was HK$39.6 million, HK$7.5 million and HK$20.7 million respectively. Any further drawdown of our Group's banking facilities, especially those beyond the Additional Loan, may increase our debt level and lead to breach of financial covenants by our Group. If our Group fails to maintain the financial covenants, the bank has the right to modify, terminate, cancel or suspend the banking facilities. Our Group's business, financial conditions and results of operations will be adversely affected if the bank demands of repayment of loan immediately.

In addition, the unutilised overdraft and factoring facilities are mainly repayable on demand or within a few months after the drawdown pursuant to the relevant facilities agreement. Since the expenditures to be incurred for the expansion plan including but not limited to the upfront costs, acquisition of machineries and motor vehicles and development of waste management business may not be recoverable in such short term for repayment of relevant drawdown lines, our Directors consider such unutilised facilities may not be a practicable means of financing. Further, the use of factoring facilities shall similarly increase our debt level and lead to breach of financial covenants by our Group especially when any amount is drawn down beyond the Additional Loan as described above.

On the other hand, our Group's gearing ratio has already increased to relatively high level from approximately 69.9%, 88.7% and 76.9% as at 31 March 2017, 2018 and 2019, along with our Group's increase in revenue scale during the Track Record Period. Our Group's business operation may therefore become more difficult if the interest rates fluctuate when market uncertainties arise and our Group continues to increase its debt financing and relying on it heavily.

In view of the above, our Directors do not consider that it is an appropriate means to further increase our Group's reliance on debt financing to finance its expansion plan.

Delay in settlement of our Group's account receivables by government sector customer is expected to continue

Our Directors expect that the delay in settlement of our Group's account receivables by government sector customers is expected to be long-term in nature as our Directors consider that the slow settlement for the nine months period ended 31 December 2018 was in line with the historical settlement pattern from government sector customers which they generally settle their invoices faster near fiscal year end of the government which falls in March than other period of each year. Our Group's number of account receivables turnover days for the period ended 31 December 2018 was 79 days, which was higher than the number of account receivables turnover days of 57 days, 60 days and 64 days for the years ended 31 March 2017, 2018 and 2019 mainly due to slower settlement by government sector customers as mentioned above. Please refer to the section headed "Financial information — Account receivables — Account receivables turnover days" in this prospectus for further information.

Substantial upfront costs, acquisition costs of motor vehicles and machineries and performance bonds are required for undertaking new projects in the future

During the relevant period from July 2019 to July 2021, our Group expect to submit tenders or provide quotations for at least 450 potential new cleaning projects (exclusive of renewal projects). In the event that we manage to secure these sizeable new projects, we will be required to pay substantial upfront costs, including labour costs and procurement costs of equipment and raw materials, before receipt of payments from our customers. Due to the industry practice, we generally do not receive any initial deposits from our customers and collection of payments from our customers can take time. As such, we are potentially vulnerable to cash flow mismatch caused by the timing difference between our payment of labour and procurement costs and payments by our customers.

Furthermore, as the majority of our motor vehicles and machineries have been deployed in our existing projects, the acquisition of motor vehicles and machineries will be one of the major initial expenditures when we undertake sizeable new projects. Historically, we had entered into finance lease arrangements for motor vehicles and we have encountered increasing difficulty in meeting the requirements on granting of finance leases set by several finance lease providers, which previously provided finance leases to our Group, including the requirement on provision of guarantees. Also, with our relatively high gearing ratio and relatively low net profit margin, our Directors consider that incurring additional finance costs could adversely affect the Group's profitability.

In addition to the upfront costs and acquisition costs of motor vehicles and machineries, we are also required to pay performance bonds, which generally range from 2% to 20% of the total contract sum, to our customers when we undertake a new project. We plan to cover the performance bonds incurred by the New Project through our internal funding and this can potentially further increase our financial burden.

2. The Listing will allow us to diversify financing sources for future funding needs

As private companies, without a listing status, our Directors believe that our Group may face difficulty in obtaining banking facilities to implement the future plan of such fund raising amount without guarantees or other form of securities provided by the Controlling Shareholders in favorable terms. As our Group is subject to various financing requirements when seeking borrowings and other facilitates from banks, there is no assurance that our Group could be able to secure sufficient long-term debt financing continuously to finance the future expansion plan. Our Group may be required to provide substantial amount of or additional collateral, guarantees or other form of securities from the Controlling Shareholders, which could affect its flexibility in carrying out the existing business. In addition, banks may demand our Group for early repayment or providing more collaterals in the event of economic downturn or adverse change in the environmental hygiene industry if we rely on funding by way of borrowing, which will in turn affect the flexibility of our Group to implement the future plans.

After the Listing, our Group shall gain access to fund raising means in the capital market. For instance, our Company can conduct secondary fund raising activities by way of issuance of equity and/or debt securities, so as to obtain further funding for future expansion plans. This shall provide another source of funding in addition to debt financing and allow more flexibility in addressing the cost issues when formulating our development plans. Our Directors believe that a listing status could also help enhancing our Group's creditworthiness to banks in order to facilitate its future financing needs, enable our Group to have more flexibility through relying on a combination of equity financing and debt financing instead of relying solely on bank borrowings and enable our Group to have access to wider range of financing sources in the capital market as and when necessary and achieve its expansion plans as efficiently as possible without less exposure to uncertain financial risks in case of any tightening of credit control or change in market condition.

3. A listing status would improve our corporate image, enhance our competitiveness and strengthen internal control

Our Directors believe that a listing status could improve our corporate image and reinforce our brand awareness which in turn raise our ability in soliciting new business and bargaining power. Our customers will have growing confidence on the quality of our services and reliability of our Group after the Listing. Our Director believe that a listing status can facilitate the establishment and development of business relationships with our customers. Moreover, with a listing status, we expect that we can be more capable of negotiating more favourable terms with our customers, suppliers and subcontractors, due to the improved corporate profile and brand image.

Moreover, our Directors are of the view that being a listed company on the Stock Exchange can increase our competiveness during the process of securing new and renewal contracts. Most of our major competitors in the environmental hygiene service industry are listed companies on the Stock Exchange. In the Hong Kong environmental hygiene service industry, where tendering is the major way to engage a service provider for both government and non-government sectors, listing status can be one of the assessment criteria considered by our customers. During the tender or quotation assessment process, a listing status tends to create competitive advantage for the environmental hygiene service providers due to the improved corporate image, financial transparency and public scrutiny. In general, customers may prefer to engage a listed company and thus our Directors consider that the lack of listing status may possibly reduce our chance of securing more tenders or quotations, particularly from new customer whom we have never worked with. Therefore, our Directors believe that achieving a listing status like other market players can enable us to compete with them and differentiate us from other market players with our service quality and experience more effectively during the tendering process.

Our Directors consider that the Listing can facilitate us to attain high standard of internal control and corporate governance, under the regulatory supervision and public scrutiny brought by the listing status. We strive to improve our internal control and corporate governance measure on a continuous basis. Given our vast number of employees, effective and efficient management on the frontline workers and operational matter is of paramount importance to the success our Group. As such, we intend to apply approximately HK$14.4 million of our net proceeds from the Global Offering on upgrading the hardware and software regarding management of frontline workers, operation and data security. Such upgrade, coupled with a listing status, shall offer improved work stability and environment, and thus increase the work morale of our existing employees, as well as attracting more potential talents.

In light of the above, our Directors consider the Global Offering would provide us an important capital base to achieve our business objective and pursue long-term development.

OUR SERVICES

We offer environmental hygiene service to our customers in Hong Kong, which can be broadly categorised into building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services. The table below sets forth the breakdown of our revenue derived from different types of services during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Building cleaning service	361,443	30.0	414,443	32.2	459,479	32.0
Park and recreation center cleaning service	277,674	23.1	306,006	23.8	339,504	23.7
Street cleaning service	206,503	17.2	214,950	16.7	313,631	21.9
Institutional cleaning service	123,117	10.2	111,079	8.6	104,681	7.3
Other cleaning services	235,326	19.5	239,543	18.7	216,088	15.1
Total	1,204,063	100	1,286,021	100	1,433,383	100

Building cleaning service

Building cleaning service was the major source of revenue, contributing approximately 30.0%, 32.2% and 32.0% for the years ended 31 March 2017, 2018 and 2019, respectively. We provided comprehensive building cleaning service, which generally included cleaning, waste disposal service for residential buildings, commercial buildings, car parks, clubhouses and common areas as well as pest control service, for our non-government sector customers.

- **Cleaning service**, which mainly included cleaning of the corridors, staircases, rooftop, canopy, walls, lifts, entrance glass doors of the buildings; and the removal of household waste.

- **Waste disposal service**, which mainly included the collection of refuse from the buildings; emptying, washing and cleansing refuse bins; washing, scrubbing, provision of refuse skip and lorries for waste disposal, collection of recyclables and disinfecting the refuses collection points; and construction waste disposal service.

- **Pest Control service**, which mainly included termite, cockroaches, mosquitoes, rodent, nest and honeycomb removal service to all common area of the buildings including roofs, refuge floors, tower lobbies, floor lobbies, staircases, carparks, offices, refuse collection points, loading area, rooms and other common area of the buildings.

Park and recreation center cleaning service

Park and recreation center cleaning service was another major source of revenue, contributing approximately 23.1%, 23.8% and 23.7% for the years ended 31 March 2017, 2018 and 2019, respectively. During the Track Record Period, we provided cleaning service in different venues such as parks, leisure venues, sports centers, playgrounds and gardens.

- **Park cleaning service**, which mainly referred to the removal of refuse in parks and playgrounds; the removal of disposing materials in parks; the cleaning operation on external walls and roofing of parks as well as providing recyclables collection service.

- **Recreation center cleaning service**, which mainly included the cleaning, mopping, scrubbing of floors, staircases, carpets, windows, doors, partitions, walls, toilets, changing rooms, escalators, roofed and refuse areas of the recreation centers; the emptying, cleaning and replacing recyclable polythene bags for litter bins.

Street cleaning service

For the years ended 31 March 2017, 2018 and 2019, revenue generated from our street cleaning service amounted to approximately 17.2%, 16.7% and 21.9% of our total revenue, respectively. Our street cleaning service could be categorised into the following services:

- **Cleaning service**, which mainly included the cleaning and removal of litter/refuse of floor and wall surfaces, channels, staircase, fittings/fixtures/facilities, signs and notices as well as toilets.

- **Deep cleaning service**, which mainly included the use of deep cleaning equipment to carry out deep cleaning work of all walls and floors. High pressure washer shall generally be used in the deep cleaning operation.

- **Refuse management and collection**, which mainly included emptying and cleaning refuse bins and refuse compactor; loading refuse and junk into refuse collection vehicles.

Institutional cleaning service

For the years ended 31 March 2017, 2018 and 2019, revenue generated from our institutional cleaning service amounted to approximately 10.2%, 8.6% and 7.3% of our total revenue, respectively. Our institutional cleaning service included the following.

- **Cleaning service**, which mainly included cleaning of public areas in the educational institution such as classrooms, lecture theatres, offices, laboratories, common areas, student residences and canteens.

- **Waste management service**, which mainly included emptying wastes from bins at common areas in the educational institution and delivering the wastes to refuse room bins; assisting with waste disposal for daily collection; and washing up refuse room bins with disinfectant.

- **Pest control service**, which mainly referred to the use of pesticides for pest, termite or mosquito control at locations such as outdoor locations and landscape within the educational institution, common area in the educational institution.

Other cleaning services

For the years ended 31 March 2017, 2018 and 2019, revenue generated from our other cleaning services amounted to approximately 19.5%, 18.7% and 15.1% of our total revenue, respectively. Our other cleaning services included the following services:

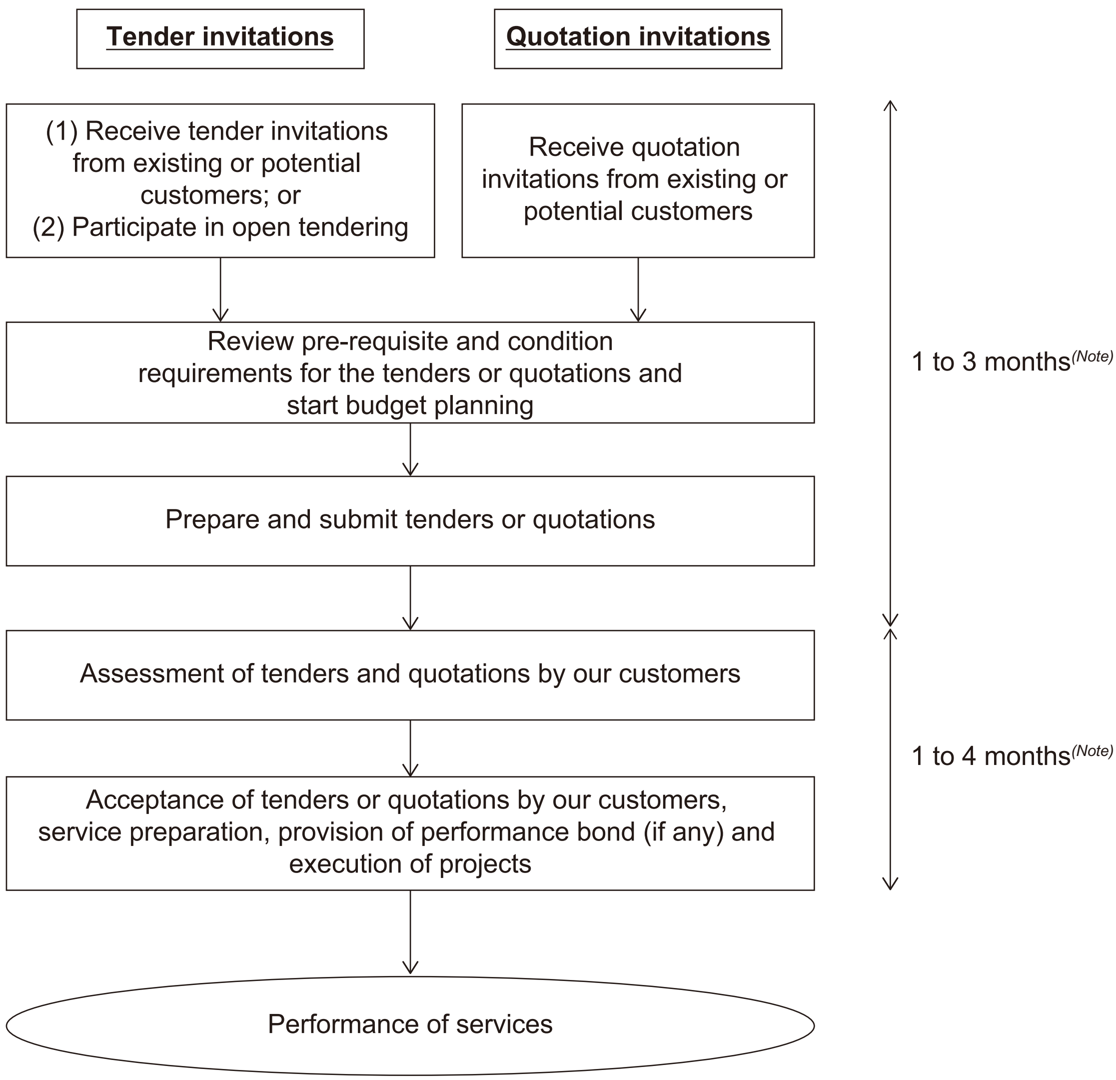
- **Market cleaning service**, which mainly included removal of soot, dirt, dust, grease and cobwebs from ceiling, wall, overhanging structures and fixtures; scrubbing and wiping of all surfaces of walls, high level structures and fixtures in the markets.

- **Government organisation cleaning service**, which mainly included cleaning floors and stairs, carpets, furniture and fittings, windows, louvers, blinds, curtain, doors, walls, partitions, ceilings and electrical fittings in various departments of the Hong Kong Government.

- **Rodent and Pest control service**, which mainly referred to (i) setting up traps and bait in the designated area for collection and disposal of rodents and providing assistance for the relevant investigation work for rodent control; and (ii) eliminating potential pest breeding sources and applying pesticides to pest breeding places for pest control.

OUR OPERATING PROCESS

We received tender invitations or quotation invitations from time to time. The general work-flow of our tender invitations and quotation invitations follow the pattern below:



Note: The time frame is for illustrative purposes only. The actual time frame of each project may vary significantly.

Receive tender or quotation invitations or participate in open tender

We receive tender or quotation invitations from existing and potential customers in both government and non-government sectors for the provision of our environmental hygiene service. We also participate in open tendering for projects. Our contracting department regularly visits the Government Gazette to obtain the latest information on tenders for environmental hygiene service projects.

Review pre-requisite and condition requirements for the tenders or quotations and start budget planning

When we receive a tender or quotation invitation or participate in open tendering for a environmental hygiene service project, our contracting department will work together with our operation department to assess the risk and resource allocation through the review of the pre-requisite requirements and specifications of the tender and quotation documents. For example, our contracting department will assess the pre-requisite requirements such as the requisite experience in environmental hygiene service market; as well as the condition requirements such as manpower requirement, performance bond requirement, maximum working hours limitation and ISO and/or OHSAS certifications requirement. Taking into account of the expected cost of service such as labour costs including statutory minimum wage requirement, cleaning material costs and motor vehicles expenses, our operation department will prepare a budget for the tender/quotation invitation for our management's approval.

Prepare and submit tenders or quotations

Our senior management team is experienced in reviewing tender and quotations documents and analysing the terms and conditions. Based on their experience, our available resources and future plan, our management team will finalise the proposed price of the tender or quotation. For further information regarding the pricing policy we adopted for budget preparation, please refer to the section headed "Business — Pricing Policy". Upon approval by the management team, we will submit tenders or provide quotations to our customers for their assessment.

Assessment of tenders and quotations by our customers

The tender documents generally set out the assessment criteria such as the technical assessment and price assessment. For technical assessment, our customers generally consider various assessment criteria such as our past performance, management and contingency plan, valid and relevant ISO and/or OHSAS certifications, record of default notices, record of demerit points and maximum allowable working hours per day or expected costs of services including labour costs. After taking into account of those criteria, a weighted technical score will be given by our customers. If we are unable to achieve a minimum weighted technical score set by our customers, our tender offer will generally not be considered any further. Upon completion of technical assessment, the price information will be evaluated. The tender with the highest combined score will normally be recommended for acceptance. Our potential clients, who initiate us to provide quotations, will assess our quotations internally based on the details of our terms such as pricing, payment terms, insurance requirements, manpower and qualifications.

Acceptance of tenders or quotations by our customers, service preparation, provision of performance bond (if any) and execution of projects

After our tender or quotation is accepted by our customers, our operation department will implement our detailed work plan in accordance with the specifications in the tender documents and quotations. Meanwhile, a project manager will be assigned to manage the overall performance of the project throughout the service period. His or her main responsibilities include recruiting manpower, conducting site visit and having discussion with customers for new projects, fulfilling our contractual obligations, procuring necessary cleaning materials. On some occasions, we would normally be required to provide performance bonds in favour of our customer so as to guarantee due performance on our part. For further information in relation to performance bonds, please refer to "Service Contracts — Principal terms and conditions of our tender contracts — Performance bond" in this section.

Our on-site manpower includes a team of frontline workers, project managers and senior managers. The project managers are responsible to (i) monitor the site and service quality; (ii) provide front-level support assurance and trainings to frontline workers; (iii) to purchase cleaning materials and allocate resources, and (iv) handle complaint and emergency matters.

We also implement strict quality assurance policies to ensure we meet our contractual obligations and customers' expectations. For details, please refer to the section headed "Business — Quality assurance" of this prospectus.

Performance of service

During the service period, we regularly submitted statement of deployment and wages and allowances together with relevant employment contracts, payrolls, books, records or other supporting documents for our customers' record or checking depending on their respective requirements. Most of our customers would inspect the attendance records of our frontline workers from time to time and reconcile the attendance records against the information in the statement of deployment and wages and allowances we submitted to our customers.

CUSTOMERS, SALES AND MARKETING

Customers

During the Track Record Period, we provided environmental hygiene service to two types of customers, which are government and non-government sector customers in Hong Kong. The following table sets out a breakdown of our total revenue during the Track Record Period according to our customers' categorisation:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Government sector customers	719,504	59.8	760,499	59.1	869,223	60.6
Non-government sector customers						
– Commercial	301,161	25.0	346,834	27.0	395,596	27.6
– Institution (Note)	123,117	10.2	111,079	8.6	104,681	7.3
– Others	60,281	5.0	67,609	5.3	63,883	4.5
Total	1,204,063	100	1,286,021	100	1,433,383	100

Note: Institutional customers under the non-government sector generally represent universities and other higher education institutions.

The number of our customers may change from year to year subject to our success in attracting new customers as well as retaining existing customers which require continuous service under fixed term contracts. In certain cases, a customer may only require a one-off service to address a specific situation which generally involves a relatively limited scope of service, time commitment and contract sum as compared to our continuous services. During each of the years ended 31 March 2017, 2018 and 2019, we served 550, 562 and 604 customers respectively. The following table sets out the movement of our customers during the Track Record Period:

	For the year ended 31 March		
	2017	**2018**	**2019**
Number of customers served during the previous year	528	550	562
Number of new customers served during the year/period	180	189	149
Number of customers which we served during the previous year but did not enter into service contracts with us during the year/period	(158)	(177)	(107)
Number of customers served during the year/period	550	562	604

Note:

1. The number of recurring customers were 371, 373 and 459 for the years ended 31 March 2017, 2018 and 2019, respectively.

We established a relatively broad customer base including various government departments in Hong Kong, property management companies and education institutions. During the Track Record Period, environmental hygiene services provided to our five largest customers are summarised as follows:

The following table sets forth details and background information of our top five customers during the year ended 31 March 2017:

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
1 . . .	Customer A	Department of the Hong Kong Government responsible for overseeing food and environmental hygiene	Street and other cleaning service such as cleaning and removal of litter/refuse, deep cleaning service and emptying and cleaning refuse bins	1996(Note)	365,519	30.4	30 days
2 . . .	Customer B	Department of the Hong Kong Government responsible for overseeing leisure and culture services	Park and recreation center cleaning service such as removal of refuse/disposing materials and providing recyclables collection services	1996(Note)	256,763	21.3	30 days
3 . . .	Customer C	A subsidiary of a property management company listed on the New York Stock Exchange	Building cleaning service such as cleaning of the public areas of buildings, removal of waste and providing pest control services	2000	57,231	4.8	14 to 90 days
4 . . .	Customer D	A transport company and property developer listed on the Stock Exchange	Comprehensive cleaning service such as cleaning of high level structures and fixtures, walls, floors and providing rodent and pest control services	2010	34,896	2.9	30 to 60 days

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
5 . . .	Customer F	An aircraft engineering company (a subsidiary of a conglomerate listed on the Stock Exchange)	Building cleaning service such as cleaning of the public areas of buildings, removal of waste and providing pest control services	2011	28,572	2.4	60 days

The following table sets forth details and background information of our top five customers during the year ended 31 March 2018:

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
1 . . .	Customer A	A department of the Hong Kong Government responsible for overseeing food and environmental hygiene	Street and other cleaning service such as cleaning and removal of litter/refuse, deep cleaning service and emptying and cleaning refuse bins	1996*(Note)*	317,177	24.7	30 days
2 . . .	Customer B	A department of the Hong Kong Government responsible for overseeing leisure and cultural services	Park and recreation center cleaning service such as removal of refuse/disposing materials and providing recyclables collection services	1996*(Note)*	308,962	24.0	30 days
3 . . .	Customer C	A subsidiary of a property management company listed on the New York Stock Exchange	Building cleaning service such as cleaning of the public areas of buildings, removal of waste and providing pest control services	2000	59,907	4.7	14 to 90 days

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
4 . . .	Customer G	A department of the Hong Kong Government responsible for overseeing health policies and the provision of basic healthcare services	Comprehensive cleaning service such as cleaning of high level structures and fixtures, walls, floors and providing rodent and pest control services	2004	38,148	3.0	30 days
5 . . .	Customer D	A transport company and property developer listed on the Stock Exchange	Comprehensive cleaning service such as cleaning of high level structures and fixtures, walls, floors and providing rodent and pest control services	2010	35,392	2.8	30 to 60 days

The following table sets forth details and background information of our top five customers during the year ended 31 March 2019:

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
1 . . .	Customer A	A department of the Hong Kong Government responsible for overseeing food and environmental hygiene	Street and other cleaning service such as cleaning and removal of litter/refuse, deep cleaning service and emptying and cleaning refuse bins	1996*(Note)*	398,610	27.8%	30 days

Ranking	Customers	Business activities of the customers	Major service provided by us	Year of commencement of business relationship	Revenue	Approximate % of our total revenue	Credit terms allowed
					(HK$'000)		
2 . . .	Customer B	A department of the Hong Kong Government responsible for overseeing leisure and cultural services	Park and recreation center cleaning service such as removal of refuse/disposing materials and providing recyclables collection services	1996 *(Note)*	360,994	25.2%	30 days
3 . . .	Customer C	A subsidiary of a property management company listed on the New York Stock Exchange	Building cleaning service such as cleaning of the public areas of buildings, removal of waste and providing pest control services	2000	66,883	4.7%	14 to 90 days
4 . . .	Customer D	A transport company and property developer listed on the Stock Exchange	Comprehensive cleaning service such as cleaning of high level structures and fixtures, walls, floors and providing rodent and pest control services	2010	46,981	3.3%	30 to 60 days
5 . . .	Customer G	A department of the Hong Kong Government responsible for overseeing health policies and the provision of basic healthcare services	Comprehensive cleaning service such as cleaning of high level structures and fixtures, walls, floors and providing rodent and pest control services	2004	43,024	3.0%	30 days

Note: The calculation for the number of years is calculated since the time we have provided services to its predecessor Hong Kong Government department.

For each of the years ended 31 March 2017, 2018 and 2019:

1. the aggregate revenue generated from our five largest customers represented approximately 61.8%, 59.2%, and 64.0% of our total revenue, respectively;

2. revenue from our largest customer represented approximately 30.4%, 24.7%, and 27.8% of our total revenue, respectively; and

3. We do not have long-term commitments with any of our five largest customers.

All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of the five largest customers of our Group during the Track Record Period. To the best knowledge of our Directors, none of our five largest customers during the Track Record Period are our suppliers.

During the Track Record Period, our customers generally settled our service fees through bank transfer and cheque. For details of the credit terms we offered to our customers, please refer to the paragraph headed "Financial Information — Description on major components of statements of financial position — Account receivables" in this prospectus.

Customer concentration

Our top five customers accounted for approximately 61.8%, 59.2%, and 64.0% of our total revenue for years ended 31 March 2017, 2018 and 2019 respectively, while approximately 30.4%, 24.7%, and 27.8% of our total revenue were attributable to a number of government tender contracts from a department of the Hong Kong Government (i.e. our largest customer) for the same year. Our Directors believe that we are not reliant on any single customer due to the following reasons:

(i) according to the Industry Report, the demand for environmental hygiene services is expected to continue its growth due to the enhanced governance and public awareness of environmental hygiene and anticipated rapid development of property market in coming years. In view of our business position and the increasing demand for our environmental hygiene service, our Directors are of the view that it would not be difficult for us to obtain new customers;

(ii) we attempted to diversify and expand our customer base in both government and non-government sectors, as evidenced by, among others, the decreasing level of reliance on our largest customer from 30.4% for the year ended 31 March 2017 to 27.8% for the year ended 31 March 2019;

(iii) we provided street cleaning service to our largest customer for over 20 years. According to the Industry Report, there are only a total of five market participants for street cleaning service in Hong Kong as it requires substantial operational resources and high financial viability to undertake which give rise to high entry barriers to market players. As the market and demand of street cleaning has recorded a steady growth in recent years, our Directors believe that our business relationship with our largest customer is complementary with each other; and

(iv) with quality service and good reputation under the established brand "Johnson" for years, our Directors are of the view that we are widely recognised by the general public and it is not difficult for us to source new business relationships with other customers and projects for replacement if any one of the major customers substantially reduces the number of contracts placed with us or terminates its business relationship.

Established and stable relationships with our major customers

Our two largest customers, being departments of the Hong Kong Government responsible for overseeing food and environmental hygiene and leisure and cultural services, have been two of our major customers for more than 20 years. So far as our Directors are aware, they select their environmental hygiene service providers through an open tendering process which selection criteria include performance during prior dealings and track record reputation. Our Directors believe that our years of business relationship with these two largest customers illustrate that we have the experience and are able to offer competitive bids and maintain a satisfactory track record and standard of performance. Further, over the years of cooperation, we have gained understanding of the quality standard and requirements and other administrative procedures of them. This provides us with unique insight into how to satisfy the requirements of the two largest customers and to do so in the most efficient way. By leveraging on such experience, we enjoy a competitive advantage in securing service contracts from the said two largest customers. In view of the above, our Directors believe that we will continue to obtain service contracts from these two customers and the risk of losing a significant number of contracts is relatively small.

Customer complaints policy

We are open to receive complaints from our customers about our standard of service. Our customers are able to make complaints via telephone calls, emails, letters or facsimile. In the event of any customer complaints for substandard service, our operation department will investigate and deal with the complaint. In particular, our operation department will record each complaint from our customer, update the status of each complaint and regular review the record for complaint management. In addition, our contracting department will gather all the complaints from our customers and perform a statistical analysis in order to formulate an effective plan to improve our service quality. During the Track Record Period and as at the Latest Practicable Date, we did not receive any material complaints from any of our customers regarding our service quality.

SERVICE CONTRACTS

We derived all of our revenue from service contracts obtained through tendering processes or quotations submissions.

Tender contracts

We generally enter into tender contracts with fixed term with most of our customers through tendering. The renewal rate of our Major Tender Contracts amounted to approximately 73.3%, 63.9% and 66.7% for the years ended 31 March 2017, 2018 and 2019, respectively.

The following table sets forth a rolling back-log by number and value of our Major Tender Contracts having awarded and commenced as at the dates indicated:

By number of our Major Tender Contracts

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	Number of tender contracts	Number of tender contracts	Number of tender contracts	Number of tender contracts
Subsisting tender contracts at the beginning of year/period(1)				
— Government sector customers	30	32	33	34
— Non-government sector customers	22	26	23	25
	52	58	56	59
New tender contracts awarded and commenced during the year/period(2)				
— Government sector customers	10	20	14	9
— Non-government sector customers	11	14	10	11
	21	34	24	20
Expired tender contracts(3)				
— Government sector customers	8	19	13	7
— Non-government sector customers	7	17	8	14
	15	36	21	21
Subsisting tender contracts at the end of year/period(4)				
— Government sector customers	32	33	34	36
— Non-government sector customers	26	23	25	22
	58	56	59	58
	New tender contracts awarded during the period from April to July 2019 but commenced after the period end			5
				63

By value of our Major Tender Contracts

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Opening value of tender contracts at the beginning of the year/period				
— Government sector customers	935,706	488,172	965,346	1,244,497
— Non-government sector customers	400,017	283,945	269,016	279,239
	1,335,723	772,117	1,234,362	1,523,736
Value of new tender contracts awarded and commenced during the year/period				
— Government sector customers	154,016	1,117,937	1,031,652	657,800
— Non-government sector customers	142,467	261,281	326,273	242,893
	296,483	1,379,218	1,357,925	900,693(8)
Revenue of tender contracts recognised during the year/period(7)				
— Government sector customers	601,550	640,763	752,501	317,148
— Non-government sector customers	258,539	276,210	316,050	102,555
	860,089	916,973	1,068,551	419,703
Remaining value of tender contracts at the end of the year/period				
— Government sector customers	488,172	965,346	1,244,497	1,585,149
— Non-government sector customers	283,945	269,016	279,239	419,577
	772,117	1,234,362	1,523,736	2,004,726
	Value of new tender contracts awarded during the period from April to July 2019 but commenced after the period end			93,276(8)
				2,098,002

	For the year ended 31 March			For the four months ended 31 July
	2017	2018	2019	2019
Range of contract period (months)				
— Government sector customers	24–36	24–36	24–36	24–36
— Non-government sector customers .	12–24	12–24	12–24	12–24
Range of approximately value of tender contracts (HK$'000)				
— Government sector customers	21,361–142,093	21,361–161,001	26,175–161,001	23,644–161,001
— Non-government sector customers .	22,680–85,114	21,080–85,114	21,080–101,983	21,080–101,983

Notes:

(1) Subsisting tender contracts at the beginning of year/period refer to tender contracts that we had entered into during the preceding year/period and: (a) performance of service had not commenced yet; or (b) performance of service had commenced but had not yet been completed at the time.

(2) New tender contracts awarded and commenced during the year/period refer to tender contracts newly secured by the Company during the year/period with the revenue recognised in the same year/period (inclusive of renewal tender contracts). Among the new tender contracts awarded and commenced during the relevant year/period, the number of renewal tender contracts was 11, 22, 14 and 12 and the number of new tender contracts (exclusive of renewal tender contracts) was 10, 12, 10, 8 for the year ended 31 March 2017, 2018 and 2019 and for the four months ended 31 July 2019, respectively.

(3) Expired tender contracts refer to tender contracts for which we had completed performance of service during the year/period.

(4) Subsisting tender contracts at the end of year/period refer to tender contracts for which performance of service had commenced but had not yet been completed at the time.

(5) Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 451 tenders and we had been awarded with 36 tender contracts with aggregate tender contract sum amounted to approximately HK$229.3 million. 17 of them, among which eight were new tender contracts and nine were renewal tender contracts, were awarded by our government sector customers with contractual terms ranging from two to 36 months and 19 of them, among which nine were new tender contracts and 10 were renewal tender contracts, were awarded by our non-government sector customers for cleaning services with contractual terms ranging from 12 to 36 months. The aggregate tender contract sum for such awarded tender contracts from our government sector customers and non-government sector customers amounted to approximately HK$119.4 million and HK$109.9 million, respectively. As at the Latest Practicable Date, 119 tender results for the 451 tenders submitted by us are yet to be released.

(6) Revenue of the Major Tender Contracts contributed over 70% of our Group's total revenue for the relevant year or period and our Group had no quotation constituting the major projects with an aggregate contract sum of HK$20.0 million or above during the Track Record Period. The aforesaid renewal rates reflected the overall renewal pattern of our projects undertaken during the Track Record Period.

(7) The revenue recognised during the year/period represents the income apportioned to the corresponding year/period based on the terms of the contracts.

(8) Total value for Major Tender Contracts (newly awarded from April to July 2019) of approximately HK$993,969,000 is equivalent to the summation of (a) value of new tender contracts awarded and commenced during the period from April to July 2019 of approximately HK$900,693,000, and (b) value of new tender contracts awarded during the period from April to July 2019 but commenced after the period end of approximately HK$93,276,000.

Backlog of tender contracts

The following table sets forth the breakdown of Major Tender Contracts awarded to us by business segments to be recognised for the year ending 31 March 2020, for the year ending 31 March 2021 and after 1 April 2021, respectively:

	Number of tender contracts on hand and/or awarded as at 31 July 2019 *(Note 1)*	Revenue recognised during the Track Record Period *(Note 2)*	Approximately remaining contract sum of tender contract value to be recognised after the Track Record Period *(Note 3)*	Approximate aggregate tender contract value to be recognised for the year ending 31 March 2020 *(Note 3)*	Approximate aggregate tender contract value to be recognised for the year ending 31 March 2021 *(Note 3)*	Approximate aggregate tender contract value to be recognised after 1 April 2021 *(Note 3)*	Range of remaining contract period as at 31 July 2019
		(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)	(Months)
Building cleaning service	23	120,103	422,662	206,600	166,441	49,621	2–33
Park and recreation center cleaning service	10	242,664	898,588	381,567	306,578	210,443	9–31
Street cleaning service	10	105,273	691,289	429,822	243,163	18,304	5–22
Institutional cleaning service	3	46,408	120,015	67,619	43,991	8,405	11–23
Other cleaning services	17	226,363	333,424	193,997	100,193	39,234	1-38
Total	63	740,811	2,465,978	1,279,605	860,366	326,007	1–38

Notes:

(1) The contracts without fixed contractual terms are excluded as the contract value to be recognised cannot be ascertained.

(2) The revenue recognised during the Track Record Period represents the income apportioned to the corresponding period based on the terms of the contract. Out of the revenue recognised during the Track Record Period as mentioned above, the revenue recognised in respect of the 63 Major Tender Contracts for the three years ended 31 March 2019 amounted to approximately HK$18,384,000, HK$179,944,000 and HK$542,483,000 respectively (which represented approximately HK$740,811,000 in aggregate).

As our tender contracts generally have a contract period ranging from two to three years, only a small portion of the 63 Major Tender Contracts as at 31 July 2019 has been awarded or commenced during the year ended 31 March 2017. Therefore, the contract value awarded and revenue recognized during 31 March 2017 was substantially lower than those during the years ended 31 March 2018 and 31 March 2019.

(3) The total remaining contract sum of all Major Tender Contracts awarded to us as at 31 July 2019 to be recognised after the Track Record Period is approximately HK$2,466.0 million.

As disclosed on page I-29 (i.e. note 8(b) to the Accountants' Report in Appendix I to this prospectus), the total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 (i.e. the remaining tender contract value to be recognised) is approximately HK$1,848.2 million. Set out below is the breakdown of such amount:

	Approximately
	HK$ million
Major Tender Contracts (which were subsisting since 31 March 2019)	1,472.0
Major Tender Contracts (which expired in April 2019 to July 2019)	51.7
Total value of Major Tender Contracts	1,523.7
Contracts other than the Major Tender Contracts	324.5
	1,848.2

The reconciliation of the remaining contract sum of all Major Tender Contracts (subsisting since 31 March 2019) to be recognised after the Track Record Period to all Major Tender Contracts (awarded to us as at 31 July 2019) to be recognised after the Track Record Period is as follows:

	Approximately
	HK$ million
Remaining value of Major Tender Contracts (subsisting since 31 March 2019)	1,472.0
Value for Major Tender Contracts (newly awarded from April to July 2019)	994.0
Remaining contract sum of all Major Tender Contracts (awarded to us as at 31 July 2019) to be recognised after the Track Record Period	2,466.0

Major projects

The following table summarises our five largest on-going contracts in terms of contract sum as at the Latest Practicable Date:

Project details	Term	Type of services provided	Contract sum	Actual revenue recognised during the Track Record Period
			(HK$'000)	(HK$'000)
Provision of cleaning and supporting services to Customer B in Yau Tsim Mong districts	From October 2017 to September 2020	Park and recreation center cleaning services	161,001	80,133
Provision of clearing and supporting services to Customer B in Sha Tin district	From March 2019 to February 2022	Park and recreation center cleaning services	154,695	4,238
Provision of cleaning and supporting services to Customer B in Sham Shui Po district	From October 2017 to September 2020	Park and recreation center cleaning services	152,438	75,871

Project details	Term	Type of services provided	Contract sum	Actual revenue recognised during the Track Record Period
			(HK$'000)	(HK$'000)
Provision of cleaning and supporting services to Customer B in Kwun Tong district	From January 2019 to December 2021	Park and recreation center cleaning services	148,758	12,091
Provision of cleaning and supporting services to Customer B in Kowloon City district	From January 2019 to December 2021	Park and recreation center cleaning services	122,164	9,929

The following table summarises our five largest contracts in terms of contract sum completed during the Track Record Period:

Project details	Term	Type of services provided	Contract sum	Actual revenue recognised during the Track Record Period
			(HK$'000)	(HK$'000)
Provision of cleaning and supporting services to Customer B in Sham Shui Po district	From October 2014 to September 2017	Park and recreation center cleaning services	142,093	70,917
Provision of cleaning and supporting services to Customer B in Kwun Tong district	From January 2016 to December 2018	Park and recreation center cleaning services	125,965	115,372
Provision of cleaning and supporting services to Customer B in Sai Kung district	From March 2016 to February 2019	Park and recreation center cleaning services	102,866	99,854
Provision of street cleaning services to Customer A in Central/Western district	From July 2015 to June 2017	Street cleaning services	98,069	61,075
Provision of cleaning and supporting services to Customer B in Kowloon City district	From January 2016 to December 2018	Park and recreation center cleaning services	97,127	88,959

Our Directors confirm that we did not have any loss-making projects during the Track Record Period.

Mandatory tendering requirements

Some of our customers imposed several mandatory tendering requirements and those requirements vary case by case. The following are the key mandatory tendering requirements.

- **Disclosure of financial information and other information.** We are generally required to provide our financial information upon request at any time and from time to time to our customers. On some occasions, we are also required to disclose to our customers the details of any petition or proceedings in relation to our directors or management;

- **Counter-proposals.** We are normally not allowed to submit any proposal that has the effect of varying or modifying any essential requirements specified in the tender documents and all provisions in the tender document;

- **No conviction under relevant laws and regulations in Hong Kong.** We must not be debarred from tendering due to any conviction of relevant laws and regulations in Hong Kong such as Employment Ordinance, Employees' Compensation Ordinance and Immigration Ordinance for a specific period of time immediately preceding the tender submission date; and

- **No demerit points.** We will generally not be considered if we had accumulated an aggregate of three or more demerit points from the customer within a specific period from the date the third demerit point was obtained.

Principal terms and conditions of our tender contracts

The terms and conditions of our tender contracts vary case by case. Nevertheless, the principal terms and conditions among our tender contracts are summarised as follows:

- **Contract period.** Our tender contracts generally have a contract period ranging from two to three years, subject to early termination or extension of the contract period.

- **Default in performance.** We may be required to remedy and rectify the default when we failed to comply with or observe any requirement of the tender contracts. If we fail to remedy and rectify the default, a notice of default may be issued to us and typically certain deductions would be made against service fees paid to us monthly.

- **Service fees and payment terms.** Our tender contracts contain service fees and payments charged by us, which are generally under fixed terms. Payment is typically required to be made in respect of each month of the contract period, subject to all deductions, set-off, withholding and adjustment in accordance with the provisions of the tender contracts. In general, we shall deliver to our customer an invoice in respect of the services we rendered in the preceding month. We normally offered fixed credit terms to our customers ranging from 14 to 90 days.

- **Performance bond.** We are generally required to provide performance bond (usually 2% to 20% of the contract sum) to our customers as security for the due and faithful performance of the tender contracts. The customers may call on the performance bond of any costs, damages, losses or expenses incurred or suffered by the customers as a result of a breach of the tender contracts. The performance bond shall be discharged or released on condition that all our obligations have been observed and complied with to the satisfaction of our customers.

- **Insurance.** We are required to take out and maintain employees' compensation insurance policies or public liability insurance throughout the contract period in full compliance with the requirements set out in the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272 of the Laws of Hong Kong).

- **Indemnity.** We are required to indemnify the government sector customers against all liabilities, damages, losses, costs, charges and expenses arising from all or any of all and any claims, actions, proceedings, threatened, brought or instituted against our customers.

- **Compliance in laws of Hong Kong.** We are required to comply with relevant laws of Hong Kong such as the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Immigration Ordinance (Cap. 115 of the Laws of Hong Kong), the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), the Occupational Retirement Schemes Ordinance (Cap. 426 of the Laws of Hong Kong).

- **Level of wages and maximum working hours.** We are required to pay our frontline workers a monthly wage based on the specified calculation under the tender contracts and may set a maximum working hours for our staffs.

- **Demerit points.** Some of our customers keep a record of demerit points. Demerits points may be given by customers for the breaches of contractual obligations such as minimum wage requirement and daily maximum working hours. The record of demerits points has a rolling period of 36 months. The demerit points given to us will be taken into account by our customers in tender evaluation of our future bids of tender contracts and our tender contracts for our government sector customers for a certain future period will not be considered if we receive three or more demerit points over a rolling period of three years.

- **Termination.** The tender contracts may be terminated according to the grounds set out in the tender contracts such as (i) the material breach of terms and conditions of the tender contracts (e.g. fail to perform the designated services to customers' satisfaction or assignment of the tender contracts); (ii) the non-compliance with any applicable law and regulation in the performance of the tender contract; (iii) the failure to maintain any of the insurance policies; and (iv) bankruptcy or the winding up of our business. The notice period to terminate the tender contracts is generally from one to four months.

- **Dispute resolution.** Any dispute or claim arising out of or in connection with the tender contracts shall first be referred to mediation at the Hong Kong International Arbitration Centre.

- **Governing law.** The tender contracts shall be governed by and construed in accordance with the laws of Hong Kong and the courts of Hong Kong has the exclusive jurisdiction to any matters arising out of the tender contracts.

Quotations

Our customers requested us to provide quotations for their requested services from time to time. Our quotations submission generally included the scope of works, the service period, the insurance requirements and the termination details. Our customers usually accepted our price quotations by (i) emails; (ii) signed quotations; and (iii) agreements.

The terms and conditions of our services agreements entered into after the request for quotation vary case by case. Nevertheless, the principal terms and conditions among our services agreements are summarised as below:

- **Contract period.** Our service agreements generally have a contract period ranging from one to three years with an option to renew the contract period.

- **Service fees and payment terms.** We normally submit to our customers an invoice once each month for the services performed. Our customers must pay service fees in accordance to the terms and in the manner set out in the agreement. The service fees generally under fixed terms. We normally offered fixed credit terms to our customers ranging from 14 to 90 days.

- **Statutory requirements.** We are required to comply with the applicable laws and legislations.

- **Insurance.** We are generally required to maintain insurance policies including workers' compensation insurance, professional indemnity insurance and commercial general liability.

- **Termination**. Our customers may terminate the services agreement due to the following grounds such as (i) suspension of performance of the services without reasonable cause; (ii) failure to proceed with the performance of services regularly or diligently or in a competent manner; (iii) failure to comply with or unreasonably delays in complying with a written direction given by our customers; (iv) substantial breach of the services agreement; and (v) insolvency. Our customers may also terminate the services agreement without reason by notice in writing.

- **Governing law.** The services agreement shall generally be governed by and construed in accordance with the laws of Hong Kong.

Our Directors confirm that there was no termination of service contracts by our customers and there is no accumulated demerit points of our Group during the Track Record Period and up to the Latest Practicable Date.

PRICING POLICY

We generally priced our service based on a cost-plus approach. Our Directors confirm that our management team might adjust the price of our service by taking into account various factors such as (i) our available resources for service performance; (ii) our management's experience on the usage of manpower, machineries and motor vehicles for the project; (iii) future resources allocation plan; (iv) projected adjustments on minimum wage charges; and (v) service schedule and timeline.

CREDIT POLICY

In general, we issued invoices to our customers and required settlement of our service fee on a monthly basis. Payment were generally made by bank transfer and cheque. We typically granted a credit term ranging from 14 days to 90 days depending on the creditworthiness of our customers. During the Track Record Period, we did not experience any material difficulty in collecting our service fee from our customers.

MARKETING

Our founders had engaged in provision of environmental hygiene services using the name "Johnson" since 1979 and our Directors believe that our brand "Johnson" has established goodwill and gained name recognition in Hong Kong. For marketing purpose, our distinctive logo was printed on the uniform of our frontline workers and our motor vehicles, which enabled us to cultivate among our customers and the general public a strong brand recognition and awareness. Our Directors also consider that offering high quality environmental hygiene service and maintaining long-term relationship with our existing customers might help to promote our company as some of our new business opportunities were from our existing customers' referral.

SUPPLIERS AND SERVICE PROVIDERS

Suppliers

Our suppliers included supplies of consumables, equipment and third-party workers. Our suppliers mainly provide us with human resources, motor vehicle rental and maintenance services and supply cleaning materials to us. During the Track Record Period, our top five suppliers were all Independent Third Parties. To select our new suppliers, we will take into account the price of products or services provided by our suppliers and conduct due diligence on the quality of the products or services provided by our suppliers. To decide whether or not to retain our existing suppliers, we will regularly review the quality of products or services provided by our suppliers and their after-sales service. We maintain a list of qualified suppliers to engage so that quality or delivery issues with any individual supplier will not cause significant adverse impact on our business.

The following table sets forth details and background information of our top five suppliers during the year ended 31 March 2017:

Ranking	Suppliers	Business activities of the suppliers	Major products/ service provided to us	Year of commencement of business relationship	Cost of services	Approximate% of cost of services
					(HK$'000)	
1 . .	Supplier A	A Hong Kong company mainly engaged in Cleaning and procurement of third-party workers	Procurement of third-party workers	2015	35,218	3.2%
2 . . .	Supplier B	A Hong Kong company mainly engaged in motor vehicle rental service	Motor vehicle rental service	2010	16,178	1.5%
3 . .	Supplier C	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2013	13,340	1.2%
4 . .	Supplier D	A Hong Kong company mainly engaged in trading and supply of cleaning materials	Supply of cleaning materials	2015	7,910	0.7%
5 . .	Supplier E	A Hong Kong company mainly engaged in trading and wholesale and supply of cleaning materials	Supply of cleaning materials	2004	5,562	0.5%

The following table sets forth details and background information of our top five suppliers during the year ended 31 March 2018:

Ranking	Suppliers	Business activities of the suppliers	Major products/ service provided to us	Year of commencement of business relationship	Cost of services	Approximate% of cost of services
					(HK$'000)	
1 . .	Supplier A	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2015	37,274	3.1%
2 . .	Supplier C	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2013	14,589	1.2%
3 . .	Supplier D	A Hong Kong company mainly engaged in trading and supply of cleaning materials	Supply of cleaning materials	2015	8,594	0.7%
4 . .	Supplier F	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2016	6,110	0.5%
5 . .	Supplier G	A Hong Kong company mainly engaged in motor vehicle rental and maintenance service and waste transportation	Motor vehicle rental and maintenance service and waste transportation	2016	5,211	0.4%

The following table sets forth details and background information of our top five suppliers during the year ended 31 March 2019:

Ranking	Suppliers	Business activities of the suppliers	Major products/ service provided to us	Year of commencement of business relationship	Cost of services	Approximate% of cost of services
					(HK$'000)	
1 . .	Supplier A	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2015	36,533	2.7%
2 . .	Supplier C	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2013	27,470	2.1%
3 . .	Supplier F	A Hong Kong company mainly engaged in cleaning and procurement of third-party workers	Procurement of third-party workers	2016	11,613	0.9%
4 . .	Supplier D	A Hong Kong company mainly engaged in trading and supply of cleaning materials	Supply of cleaning materials	2015	9,754	0.7%
5 . .	Supplier H	A Hong Kong company mainly engaged in motor vehicle rental service	Motor vehicle rental service	2017	8,608	0.6%

For each of the years ended 31 March 2017, 2018 and 2019, our cost of services from the five largest suppliers were approximately 7.1%, 5.9%, and 7.0%, respectively of the total cost of services, while our cost of services from the largest supplier were approximately 3.2%, 3.1%, and 2.7%, respectively of the total cost of services. No long term contracts was entered between our Group and its top five suppliers during the Track Record Period. Our Directors confirm that we did not have any significant dispute or experience any material shortage or delay in supply from with any of our service providers and other suppliers during the Track Record Period.

None of our Directors, their respective associates or Shareholders who own more than 5% of the issued share capital of our Company as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period. To the best knowledge of our Directors, none of our five largest suppliers is also our customer during the Track Record Period.

During the Track Record Period, our purchases were all settled in Hong Kong dollars and most of them were settled by cheques or telegraphic transfers. Most of our purchases are settled on a monthly basis and in arrears. Credit terms offered by our suppliers range from due on presentation of invoice to 30 days to 90 days from the date of invoice.

General terms of engagement

During the Track Record Period, we mainly source from suppliers through obtaining quotations from our suppliers. The quotations and purchase orders of services, consumables and equipment from our suppliers usually include the service location, the service term, the scope of service and/or product specifications. At present, we obtain quotations from human resources suppliers for procuring third party workers for rendering cleaning services. The terms of the quotation vary case by case and the principal terms of which may contain scope of services rendered, responsibilities of service providers, contract period, daily wages per worker, payment terms or total fees.

Procurement arrangement

We procure our cleaning materials from our suppliers. Depending on the availability of our manpower and requirements of our customers, we may engage third-party workers procured through human resources suppliers to perform general cleaning services for our customers, for instance, cleaning of the public areas of buildings, cleaning and removal of litter/refuse of floor, emptying and cleaning of refuse bins. In order to have greater flexibility in our resources deployment, we may procure third party workers from our human resources suppliers from time to time mainly for one-off project or to temporarily cover cleaning workers who are not on duty or to satisfy the additional workloads for some cleaning projects when our cleaning workers recruited are not sufficient to fully undertake the cleaning works especially during some festive and seasonal occasions, such as during the Christmas. During the Track Record Period, all of our human resources suppliers were Independent Third Parties located in Hong Kong. During the Track Record Period, our costs for procurement for third-party workers amounted to approximately HK$57.0 million, HK$66.7 million and HK$100.9 million, for the years ended 31 March 2017, 2018 and 2019, respectively, accounting for approximately 5.1%, 5.6% and 7.6% of our total cost of services, respectively. Our costs for procurement for cleaning materials amounted to approximately HK$26.7 million, HK$26.9 million and HK$31.8 million, for the years ended 31 March 2017, 2018 and 2019 respectively, accounting for approximately 2.4%, 2.3% and 2.4% of our total cost of services, respectively.

As we are responsible for the performance of services provided to our customers by third-party workers, our project managers in operation department are responsible to supervise the performance of the third-party workers. Regarding the risk that we may face for relying on third-party workers procured through suppliers to perform some of our services, please see "Risk Factors — Risks Relating to Our Business — Our frontline workers may not follow our work procedure and guidelines that may affect our results of operation and reputation" of this prospectus.

During the Track Record Period and as at the Latest Practicable Date, we did not receive any material complaints from customers about the quality of services. Going forward, in order to have better control on the quality of service provided, our Directors intend to hire more of our own labour force and reduce the procurement of third-party workers.

MAJOR ASSETS, EQUIPMENT AND VEHICLES

Major cleaning machinery and equipment

Our Directors believe that the use of cleaning machinery and equipment is able to enhance the quality and reliability of our service. Our major cleaning machinery and equipment for daily usage include high pressure washer for deep cleaning, sign disc machine for carpet cleaning, electric floor scrubber for floor cleaning, carpet extractor for carpet cleaning and dry vacuum cleaner for speedy floor vacuum cleaning. As at 31 March 2019, according to our accounting policies, our cleaning machinery and equipment generally had an estimated useful life of five years, and their remaining useful life ranged from approximately one to five years. The average remaining useful life of our Group's major cleaning machinery and equipment is approximately 2.2 years. The carrying amount of our cleaning machinery and equipment amounted to approximately HK$1.7 million as at 31 March 2019. For further information regarding the depreciation policy in connection with our cleaning machinery and equipment, please refer to the section headed "Financial Information — Significant Accounting Policies — Property, plant and equipment" of this prospectus.

Our Group's machineries and equipment are generally allocated and stationed at each of the service areas in accordance with the nature of the services to be provided as our Group has to maintain machineries and equipment at sufficient level therein (in particular for projects which our Group is obliged to do so pursuant to the relevant tender) for rendering services. It is common that our Group would carry out multiple projects in different service areas at similar timeslots. In order to render the service promptly and efficiently, it is usually not feasible and cost-effective to move out the machineries and equipment allocated and stationed at specific service area for carrying out other projects.

Motor Vehicles

Our fleet comprised more than 100 motor vehicles of various types and functions as at 31 March 2019 and most of them are for daily usage. In order to ensure the safety and performance of our fleet, regular check-up, maintenance and cleaning were arranged for our motor vehicles. We also replaced motor vehicles that no longer meet our safety and performance requirements. As at 31 March 2019, according to our accounting policies, our motor vehicles generally had an estimated useful life of five years. As at 31 March 2019, 51.7% of our motor vehicles have been fully depreciated. Other than those which have been fully depreciated, the remaining useful life of the motor vehicles, ranged from approximately one year to five years, and the carrying amount of our motor vehicles amounted to approximately HK$28.5 million (representing approximately 39.5% of their book value).

We provided operational procedures and safety guidelines for drivers, in which each driver must have a valid driving licence and shall (i) regularly checkup our motor vehicles to ensure the motor vehicles can run properly; (ii) not drive whilst under the influence of drugs or alcohol; (iii) not drive over the speed limit; and (iv) comply with the traffic laws and regulations for motor vehicle. Drivers have an obligation to report any accident to their manager and shall not make any settlement with the others without obtaining consent from the project manager. Our drivers and frontline workers are required to follow the additional operational procedures and safety guidelines for the operation of specialised vehicles such as road sweepers, grab tippers and hook-lift trucks.

As at 31 March 2019, we had the following major specialised motor vehicles for carrying out our operations.

44 Light goods vehicles
Remaining useful life: 0-4.9 years
Average remaining useful life: 1.5 years
Average actual number of
years used: 4.3 years

14 Tippers
Remaining useful life: 0-4.5 years
Average remaining useful life: 0.6 year
Average actual number of
years used: 6.2 years

8 Grab tippers
Remaining useful life: 0-4.6 years
Average remaining useful life: 1.6 years
Average actual number of
years used: 5.1 years

1 Hook-lift truck
Remaining useful life: 0 year
Average remaining useful life: 0 year
Average actual number of
years used: 7.0 years

3 Refuse compaction vehicles
Remaining useful life: 0-4.3 years
Average remaining useful life: 4.2 years
Average actual number of
years used: 9.1 years

3 Lorries
Remaining useful life: 0-3.1 years
Average remaining useful life: 2.1 years
Average actual number of
years used: 4.0 years

25 Tail-lift trucks
Remaining useful life: 0-4.6 years
Average remaining useful life: 1.8 years
Average actual number of
years used: 4.0 years

41 Water wagons
Remaining useful life: 0-4.8 years
Average remaining useful life: 2.6 years
Average actual number of
years used: 2.7 years

2 Road sweepers
Remaining useful life: 0-4.8 years
Average remaining useful life: 2.4 years
Average actual number of
years used: 6.0 years

6 Arrow board vehicles
Remaining useful life: 3.3-4.3 years
Average remaining useful life: 3.5 years
Average actual number of
years used: 1.5 years

2 Tip lorries
Remaining useful life: 4.0-4.1 years
Average remaining useful life: 4.0 years
Average actual number of
years used: 0.9 years

Note: The remaining useful life is calculated on the basis that according to our accounting policies, our motor vehicles generally had an estimated useful life of five years.

During the Track Record Period, we maintained motor insurance policies for our fleet covering third party legal liabilities. For the years ended 31 March 2017, 2018 and 2019, our motor insurance costs amounted to approximately HK$0.7 million, HK$0.8 million and HK$1.1 million, respectively.

Our Group's existing motor vehicles were mainly used for rendering cleaning services for government sector. Most of our Group's motor vehicles are fully used for tenders that require our Group to provide prescribed number and type of specialised motor vehicles for each work shift at specific location as set out in that tender. Hence, those motor vehicles assigned for the tenders have to stand-by for duty in proximity and cannot be freely moved away from the assigned project area to carry out other projects. In addition, most of the tenders stipulate a number of work shifts. Since the schedules of the work shifts among the tenders tend to overlap with each other, our Group has to provide the prescribed number of motor vehicles to perform relevant cleaning service during each work shift pursuant to each tender. This is particularly discernible for overlapping work shifts, requiring nearly full deployment of our Group's specialised motor vehicles to carry out relevant work at once.

After the expiry of service contract, we will try to deploy motor vehicles previously used in the expired projects to other projects that in need of such vehicles. However, due to the fact that (i) existing projects may already have sufficient number and types of motor vehicles for performing its duties as our projects commence and expire with different schedules; or (ii) as some of such vehicles are specialised motor vehicles that may not be applicable on other projects with different service scope, it may not be possible for other projects to take up all such spare motor vehicles. Further, in view of (i) the costs to be incurred (such as maintenance) for such idle vehicles; and (ii) the increasing repair and maintenance expenses for ageing vehicles, the Company will consider to sell such idle motor vehicles where suitable buyers are available, which the Directors considered that would be more beneficial to the Group as it provides additional cashflow while avoiding maintenance cost of such idle motor vehicles.

QUALITY ASSURANCE

Our Directors believe that our quality assurance mechanism is one of the key factors that attributed to the long-term relationships between our customers and our Group. In particular, we have adopted the following quality assurance measures to ensure the high quality of our environmental hygiene services:

- **Service inspection.** We generally assign one or more inspectors from quality assurance and training department in different areas to inspect (i) the quality of service we provided, (ii) conduct and attitude of our frontline workers, (iii) working environment and (iv) the supply of consumables and equipment. Our inspectors will educate our frontline workers in order to fulfil the expectation and requirements set out by our customers. After each inspection, inspection report will be prepared by our inspectors to highlight the area that may need to be improved together with the improvement plans.

- **Customers' feedback.** We regularly obtain the feedback from customers and evaluate the quality of our service provided. Our customers may provide us performance appraisal report which assess our services level, the compliance level with the terms and conditions, the number of complaints, verbal advice, advisory letters, warning letters, shortage and absence records of our frontline workers or events of default. When we receive complaints from our customers via telephone calls or letters, our contracting department will prepare a summary of the complaints. Based on our customers' feedback and summary of complaints, we will formulate effective plan to improve the quality of service we provided.

- **Internal audit procedure.** Our internal audit committee performs internal audit at least once a year to ensure the compliance with the requirements of ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). The internal audit committee will collect the information via interviews, documents and observation. The internal audit committee will assess the information collected and prepare a report to highlight any non-compliance with the ISO requirements. The internal audit committee will formulate the plans to remedy the non-compliance. After the remedial actions, the internal audit committee will reassess to ensure the full compliance with the ISO requirements.

- **Specialised vehicles and transport safety**. Our drivers and frontline workers are required to follow the additional operational procedures and safety guidelines for the operation of specialised motor vehicles such as road sweepers, grab tippers and hook-lift trucks. We provided training to our drivers and frontline workers for the operation of specialised vehicles. Drivers are required to inspect our specialised motor vehicles regularly to ensure they can run properly. We replace motor vehicles that do not meet our safety and performance standard.

EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at 31 March 2017, 2018 and 2019, we had a total of approximately 7,648, 7,673 and 8,344 employees, respectively. All our employees are based in Hong Kong. From time to time, we would hire third-party workers. For more information, please refer to "Suppliers and service providers — Suppliers — Procurement arrangement" of this section.

The following table sets forth an approximate breakdown of our employees by function as at 31 March 2017, 2018 and 2019:

	As at 31 March		
	2017	2018	2019
Function			
Purchase and warehouse management	2	2	2
Quality assurance and training	2	2	2
Human resources	16	16	16
Administration	12	12	11
Contracting	17	16	15
Finance and Account	7	7	7
Sub-total	56	55	53
Operation			
— Senior manager	5	5	5
— Project manager	51	58	60
— Worker	7,536	7,555	8,226
Sub-total	7,592	7,618	8,291
Total	7,648	7,673	8,344

We generally recruit our employees by referral or posting job openings in newspapers and job websites. On occasions, we may also use human resources suppliers to source workers for us.

For each of the years ended 31 March 2017, 2018 and 2019, our labour costs amounted to approximately HK$1,033.0 million, HK$1,111.3 million and HK$1,233.5 million, respectively. We expect our labour costs to continue to represent a significant percentage of our total cost of services. For the sensitivity analysis in relation to the changes in labour costs, please refer to the section headed "Financial Information — Major factors affecting our financial conditions and results of operations — Direct labour costs" of this prospectus.

We have participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and ORSO scheme under the Occupation Retirement Scheme Ordinance for our directors and employees in Hong Kong. During the three years ended 31 March 2017, 2018 and 2019, the retirement benefits scheme contributions contributed by us amounted to approximately HK$29.2 million, HK$29.2 million and HK$29.9 million, respectively and the contributions on the part of mandatory provident fund are payable at the rate specified in the rules of the Mandatory Provident Fund Schemes Ordinance.

We determine the number of workers to hire for new projects mainly based on the requirements related to our workers set out in the relevant tender contracts (such as the work shift and/or number of workers required as stipulated therein). To the best knowledge of our Directors, such requirements mainly vary based on certain factors, among others, the total area to be covered, the scope of services and the available working hours, and we primarily source and assign our workers to new projects through internal allocation by reallocating the workers who become available from recently expired projects or who have available time slot having completed their respective time shift from other projects at the relevant time in the same or adjacent geographical locations in a flexible manner. In addition, for new projects and where applicable, we would approach to recruit the on-site workers hired by the previous cleaning service provider for the same project (the "**Previous Workers**"), considering that less training costs will be required and work performance can be improved by recruiting the Previous Workers who have accumulated experience for the relevant project. If our internal resources, together with the Previous Workers, remain insufficient to meet the requirements related to our workers (such as achieving sufficient number of workers or work shifts) as may be specified in the relevant tender contracts, we generally recruit people externally through various means, including, among others, putting up recruitment advertisements on newspapers. In addition, our Directors consider that our Group has adopted the following means to achieve efficient operation and to save costs through economies of scale, including (i) the adoption of several levels of organised hierarchical management, which involves, among others, project managers and senior managers (for details of the roles of our project managers and senior managers, please refer to the paragraph headed "Our Operating Process" in this section), as managers in each level are responsible for supervising subordinate workers in the level below and our Company has closely accessed and reviewed the capacity of those managers to avoid redundancy, and thus our Directors consider that the establishment of such a hierarchical pyramid structure and continued assessment would enable our Group to leverage on the supervisory capacity of each level to exercise management on subordinate workers to a larger extent and our Group would be able to optimise the number of senior managers and project managers needed for each project for streamlining the operation and maximising the supervisory capacity of our senior managers and project managers at the same time; and (ii) assigning our workers to different projects in the same geographical location in a flexible manner to minimise recruitment costs and time involved (such as assigning workers to renewed projects after the expiry of the original contracts as mentioned above).

We are strictly prohibited from employing illegal workers. According to our internal policy, our human resources department is required to inspect a prospective employees' and third-party workers' identity details including identity card and/or address proof.

Our Directors confirm that our Group had not experienced any significant labour disputes with its employees or disruption to its operations due to labour disputes nor had our Group experienced any difficulties in the retention of employees or hiring during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

Our Directors believe that our success relies heavily on our manpower. As such, we will focus on attracting and retaining qualified employees by offering our employees competitive remuneration package.

Staff training

In order to enhance our employees' skill sets and knowledge with respect to service quality and workplace safety, our employees especially our frontline workers are encouraged to attend our training courses from time to time. The purpose of our training courses is mainly to reduce the workplace injury or traffic accident and ultimately, to improve our corporate image and reputation. We keep records in relation to employees' attendance. In addition, we have established staff handbook, which concerns areas, among others, acceptance of advantage and conflict of interest, for our staff to follow.

WORKPLACE SAFETY

We adopted a quality, environmental and occupational safety management system that is administered by our administration department. As required by the Occupational Safety and Health Ordinance and the Factories and Industrial Undertakings Ordinance, our system covers, among other things, occupational safety measures and safety-awareness education in order to reduce occupational hazards and prevent injuries and accidents in the workplace. During the Track Record Period and up to the Latest Practicable Date, no material warnings, sanctions or punishment had been imposed on our Group by the relevant authorities in relation to breaches of occupational health and safety laws, rules or regulations in Hong Kong.

Our system is devised in accordance with international standards and certified to be in compliance with the requirements of ISO 9001:2015 — quality management, ISO 14001:2015 — environmental management and OHSAS 18001:2007 — health and safety management. We received our first ISO certificate since 2002. Our current quality, environmental and occupational safety management system includes the following major features:

Occupational safety and health guidelines

All of our frontline workers must understand and act in accordance with our occupational safety and health guidelines when carrying tasks assigned by us. We engaged a third-party consultancy firm during the Track Record Period, pursuant to which the consultancy firm appointed a safety officer and offered us safety and health consultancy, training, inspection, meeting, accident investigation, risk assessment and safety promotion service in the projects.

Our Directors confirm that the third-party consultancy firm did not find any material deficiency in relation to occupational safety and health guidelines during the Track Record Period.

We have established internal guidelines on workplace safety which are documented in our employee handbook for our employees to follow and provided on-job trainings for our employees. The occupational safety and health guidelines is a comprehensive document that covers most aspects of work that our frontline workers may be exposed to, such as street cleaning, waste processing, use of chemicals, floor sweeping and pest control, the guidelines provide preventive measures that each frontline workers should take and guidance on how to execute their tasks in a safe manner.

Regular surveillance audits by the BSI

As at the Latest Practicable Date, we are certified to be in compliance with the standards of ISO 9001:2015 (Quality management system), ISO 14001:2015 (Environmental management system) and OHSAS 18001:2007 (Occupational health and safety management systems) by the BSI. Each certification is renewable every three years subject to compliance with the BSI regulations. The BSI would conduct surveillance audits at least once a year of certification. The BSI report will be circulated to our frontline workers and especially our project managers who are responsible for monitoring compliance of our frontline workers with the latest safety guidelines.

Procedure for handling employee injuries and accidents at work

Due to the nature of work and working environment, employee injuries and work accidents are common in the cleaning industry. We may therefore be subject to claims from frontline workers for work-related injuries. Our human resources department is responsible to keep a record details of and handling such claims. They are also responsible for liaising with the relevant insurance company, the claimant, the Labour Department of the Hong Kong Government and, in case of more serious claims, external legal adviser.

Our procedure for handling a frontline worker's injury:

Step 1: Injury report

An injured frontline worker is required to inform his or her project manager immediately after the injury takes place or an accident happens. The relevant manager will get to the site to take notes and make record of the level of injury of the frontline worker and the task being handled by the frontline worker immediately prior to the accident or injury and the events leading to the accident or injury. The project manager will also take pictures of the frontline worker's wound, outfit, apparatus and cause of his or her injury for record.

The injured frontline worker is, after appropriate treatment and when his or her health condition allows, required to produce a written report detailing the process of the accident and his or her injury. The written report can be prepared by a third party (preferably family member or co-worker of the injured frontline worker), but such report must be witnessed by an independent third party and signed by the injured frontline worker.

If any other frontline worker has witnessed the accident or the happening of the injury, they will be asked to prepare a written report for us to assess the circumstances of the injury.

Step 2: Review of injury report

The injury reporting materials and information will be submitted to a senior manager by the project manager within three days after the accident or injury. The senior manager will review all the relevant materials within five days and pass on the case to the work injury team under our human resources department.

Step 3: Settlement or litigation

The injury will be reported by our human resources department to the Labour Department in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) within 14 days (or seven days for fatal cases) after it comes to our knowledge. At the same time, all the information will be copied to the insurance company.

If an injured frontline worker is on sick leave for more than one month, the frontline worker will be urged to have his or her injury assessed with the Labour Department. If the amount of compensation as assessed by the Labour Department is agreed upon by the frontline worker, we will compensate the injured frontline worker directly or, if covered by insurance and agreed by the insurer, the compensation will be paid by our insurer.

Should the frontline worker and our Group fail to settle on liability or amount of compensation, the matter may be litigated.

During the Track Record Period and up to 31 July 2019, none of the settled claims related to employee injuries was of the amount exceeding the insurance deductibles of our insurance policy and hence all of them were settled by our internal funds. For further details of our insurance policies on employee compensation and personal injuries, please refer to the paragraph headed "Insurance" in this section. For further details of litigations in progress and pending, please refer to the paragraph headed "Litigations and claims" in this section. As at 31 July 2019, 22 litigations were Ongoing Major Litigations of which the claimed amount of 11 litigations are to be assessed by the court and the aggregated amount claimed of the remaining 11 litigations was approximately HK$9.0 million.

Analysis of accidents rate

The table below sets out the number of reported accidents and accidents rate of our Group during the Track Record Period:

	For the year ended 31 March		
	2017	**2018**	**2019**
Number of reported accidents:			
— Our Group	195	211	258
— Accidents rate of our Group[1]	2.6%	2.8%	3.1%

Note:

(1) The accidents rate of our Group is calculated by dividing the number of reported accidents by total number of frontline workers as at the end of relevant period.

The major types of accidents that occurred during the Track Record Period included, inter alia, (i) contusion and bruise; (ii) slipping, tripping or falling on same level; and (iii) sprain and strain. According to the Industry Report, the accidents rate for environmental hygiene service industry in Hong Kong was 3.2% in 2017 and estimated to remain at 3.2% in 2018. The accidents rate of our Group during the respective period was lower than the accidents rate in environmental hygiene service industry in Hong Kong.

Certificates held by our employees

In order to provide a wide range of environmental hygiene services to our customers while maintaining a safe working environment and system for our employees, some of our employees are required to obtain appropriate qualifications, certifications or licences or to receive relevant trainings. Furthermore, under applicable laws, rules and regulations, we are required, among other things, to (i) provide and maintain a work environment that is safe and healthy; and (ii) when performing work or using equipment or machineries regulated by applicable laws, rules or regulations, ensure that only personnel with appropriate and requisite qualifications could carry out such work or use such equipment or machineries. For further details regarding such applicable laws, rules and regulations, please refer to the section headed “Regulatory Overview” of this prospectus.

We maintain a record of qualifications, certifications or licences held by our employees and their validity period so that we could remind the relevant employees to renew the qualification, certification or licence from time to time prior to its expiry.

The below table shows certain material certifications held by our employees as at 31 March 2019:

Certifications	Issuing Authority	Number of employees holding such certifications as at 31 March 2019
		(Note)
Certificate for Person Working on Suspended Working Platform	Construction Industry Council	3
Certificate for Safety Handling of Chemicals	Occupational Safety & Health Council	17
Certificate of Confined Space Operations for Competent Persons	Occupational Safety & Health Management Institute	5

Note: The number of employees may overlap where he/she possesses more than one certificates.

Our Directors believe that our employees have not encountered major difficulties in obtaining or renewing the aforesaid certifications. Moreover, our Directors confirm that when carrying out work that requires any requisite certificate or licence, we only assign employees with such certificate or licence to carry out the work.

In the case that the requisite certificate of an employee expires or is denied renewal during the course of a service contract, we would replace such employee with another employee who has a valid certificate. Our Directors expect that we would not encounter any material difficulties in obtaining replacement employees in this industry, and thus there would not be any material operational or financial impact to our Group in such event.

ENVIRONMENTAL PROTECTION AND COMPLIANCE

Our customers generally required us to comply with all applicable environmental protection laws and regulations in Hong Kong. To improve the environmental performance through more efficient use of resources and reduction of waste, we have obtained the ISO14001 for our environmental management system since 2002. We have a team that is responsible for developing and implementing environmental protection measures and to ensure the compliance with the relevant statutory environmental requirements as well as the environment friendly measures as required by our customers. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that there was no material non-compliance with all applicable environmental protection laws and regulations in Hong Kong and we received no claims, notices or orders from government authorities in this respect.

Compliance with the Waste Disposal Ordinance

Our Group's environmental hygiene service includes, but not limited to, the collection of waste from the waste room of each floor of a building and the transfer of such waste to the waste collection point of such building (the "**Door-to-door Services**"), as well as the collection of waste with specialised vehicles in our Group's fleet, including grab lorries, tippers, hook-lift trucks and waste compaction vehicles, from waste collection points of buildings or streets and the transportation of such waste collected to government designated waste disposal facilities collectively (the "**Waste Management Services**"). The types of waste that we handle include street waste, trade waste and household waste. Occasionally, we also handle construction waste.

Relevant sections of the Waste Disposal Ordinance

Pursuant to the Waste Disposal Ordinance, the Collection Authority includes the FEHD and the EPD. The FEHD and the EPD may provide the services specified in section 9 of the Waste Disposal Ordinance, including but not limited to, the removal and disposal of household waste, street waste, trade waste, livestock waste and animal waste (the "**Services**") and pursuant to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal Ordinance, the EPD may provide services relating to construction waste, chemical waste and clinical waste.

Confirmation from the FEHD and the EPD

The FEHD confirmed by a letter dated 11 January 2019 that the FEHD has no licensing mechanism under the Waste Disposal Ordinance. Based on an enquiry made with an officer of the FEHD in January 2019, the officer of the FEHD confirmed that:

(i) the FEHD does not provide services for removal and disposal of trade waste/commercial waste;

(ii) the FEHD may only upon requests from the management office of any locations provide services for removal and disposal of household waste, and does not provide Door-to-door Services for household waste; and

(iii) the FEHD will arrange cessation of the services at any locations upon receiving request from the management office of any locations.

The EPD confirmed by a letter dated 14 December 2018, that:

(i) the EPD has not issued any licence under section 10(1) of the Waste Disposal Ordinance to permit any person to provide services referred to in section 9 of the Waste Disposal Ordinance; and

(ii) the EPD has not provided any service for removal and disposal of household waste referred in section 9 of the Waste Disposal Ordinance.

Implication of the Waste Disposal Ordinance in our operation

Based on the confirmations from the FEHD and the EPD as stated above, the prohibition under section 11 of the Waste Disposal Ordinance should only apply to our Waste Management Services insofar as it involves household waste, street waste and trade waste, given the fact that (i) the prohibition under section 11 of the Waste Disposal Ordinance does not apply to construction waste; (ii) the FEHD has no licensing mechanism under Waste Disposal Ordinance for the Services and the EPD has not issued any licence for the Services.

As for household waste, as confirmed by FEHD, the FEHD does not provide Door-to-door Services. As for street waste, the management of our Company confirm that we handle street waste only when we provide our Waste Management Services as a contractor of FEHD after we are awarded relevant contracts through tendering process by the FEHD and the FEHD does not provide Services relating to street waste at the same locations where we provide our Waste Management Services relating to street waste. As for trade waste, the FEHD and EPD confirmed that they do not provide services for removal and disposal of trade waste. Further, the management of our Company confirm that we handle trade waste only when we provide our Waste Management Services as a contractor for non-governmental sector customers from mainly commercial and institutional sectors. Hence, there is no overlapping of our Waste Management Services with FEHD and EPD's Services.

Our Group's compliance with the Waste Disposal Ordinance

The management of our Company also confirm that our Waste Management Services which involved street waste, trade waste and household waste during the Track Record Period and up to the Latest Practicable Date do not overlap with the Services of the FEHD and EPD. On such basis, we have been advised by our Hong Kong Legal Counsel that there is no contravention of section 11 of the Waste Disposal Ordinance for our Group to provide the Waste Management Services relating to household waste, street waste and trade waste without a licence at locations where the FEHD and EPD did not provide the same services at the same time.

Our Hong Kong Legal Counsel is of the view that as the FEHD and EPD are the collection authorities as defined under the Waste Disposal Ordinance, the officers of the EPD and the FEHD who provided confirmation in respect of issues under the Waste Disposal Ordinance are the appropriate source for seeking clarification on the Waste Disposal Ordinance.

Furthermore, the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) provides that a valid billing account is required for the removal and disposal of construction waste and the application for a billing account should be made to the EPD. We maintain valid billing accounts with the EPD. In addition, the Waste Disposal (Refuse Transfer Station) Regulation (Chapter 354M of the Laws of Hong Kong) provides that any person who disposes waste at the refuse transfer station shall comply with the relevant account registration requirements and shall pay for the fee as prescribed in the regulation. We maintain relevant valid billing accounts with the EPD and settle the relevant monthly fees.

In light of the above, our Group's Waste Management Services complied with the Waste Disposal Ordinance in all material respects during the Track Record Period and up to the Latest Practicable Date.

We will also keep track of any update of the laws and regulations relating to waste collection. Once the relevant licence is available for applications, we will promptly apply for such licence. Based on the information available to our Directors, as at the Latest Practicable Date, our Directors were not aware of any major obstacles for our Group to apply for the relevant licence should such licence be available for application given our long track record in the industry.

Compliance with Dangerous Goods Ordinance

Pursuant to the Dangerous Goods Ordinance, we cannot store and use of dangerous goods that exceed the maximum quantity. A licence must be obtained and maintained if the maximum quantity is exceeded.

During the Track Record Period and as at the Latest Practicable Date, our Directors confirm that our storage and use of dangerous goods including cleaning chemicals did not exceed the maximum quantity. As such, we are not required to obtain the relevant licence.

Compliance with Pesticide Ordinance

According to the Pesticide Ordinance, a licence is needed for the use and storage of pesticides if one is engaged in the trading business of registered pesticides.

During the Track Record Period and as at the Latest Practicable Date, our Directors confirm that we were not engaged in the trade business of registered pesticides. As a result, we are not required to obtain the relevant licence.

INSURANCE

In accordance with the applicable rules and regulations in Hong Kong, we have maintained employees' compensation insurance, public liability insurance and motor vehicle insurance to cover our Group's liability arising from our business operations during the Track Record Period. Our Directors are of the view that the insurance coverage is adequate.

In accordance with the Employees' Compensation Ordinance, our employees' compensation insurance covers injuries to our employees or death of our employees caused by accidents arising out of and in the course of employment. As at the Latest Practicable Date, the policy limit of liability was HK$200.0 million per accident or disease. We were generally responsible for the first HK$2.0 million of each claim (the "**insurance deductibles**").

Our public liability insurance covers us against accidental bodily injury to any person, accidental damage to property caused by our fault or negligence. As at the Latest Practicable Date, the maximum indemnity limit of liability was HK$50.0 million for each claim. We are generally liable for the first HK$30,000 or 20% of loss (whichever is the greater) in respect of each claim.

In compliance with the Motor Vehicles Insurance (Third Party Risks) Ordinance, we maintain motor vehicle insurance to cover all of our motor vehicles. In general, the maximum indemnity limit for liability arising out of one event was HK$100.0 million per event as at the Latest Practicable Date. We are generally responsible for the insurance deductibles of our motor vehicles insurance policy such as claims caused by own damage, theft loss, young or inexperienced driver. The insurance deductibles of our motor vehicles insurance policy varies on a case to case basis.

Our insurance policies may not cover all our risks or payments associated with our business and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. For details, please refer to the section headed "Risk Factors — Increase in insurance cost and the number of insurance claim may materially and adversely affect our business operations and financial results" of this prospectus.

PROPERTIES

As at the Latest Practicable Date, we owned a property and a few car parks in Hong Kong and had five leased properties in Hong Kong. No single property interest that forms part of our Group's non-property activities has a carrying amount of 15% or more of our Group's total assets and therefore we are not subject to the disclosure requirement under Rule 5.01(2) of the Listing Rules to include a valuation report. Further, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned properties

As at the Latest Practicable Date, we owned our office premise, which we used as our head office and warehouse, located at Units 1-7 on the 11th floor of China Aerospace Centre, No. 143 Hoi Bun Road, Kwun Tong, Hong Kong. Total gross floor area of our self-owned office premise is approximately 10,589 sq.ft.. We also owned Car Park Nos. P42, P44, P47 and P48 on the 2nd Floor of China Aerospace Centre, No. 143 Hoi Bun Road, Kwun Tong, Hong Kong. These properties are accounted for in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. As at 31 March 2019, the carrying amount of our self-owned property was approximately HK$24.0 million.

Leased Properties

As at the Latest Practicable Date, we leased from Independent Third Parties the following properties:

Location	Our use of property	Tenancy period	Annual rental
Unit B1, 6th Floor, Mai Hong Industrial Building, 160 Wai Yip Street, Kowloon, Hong Kong.	warehouse	1 April 2018 to 31 March 2020	HK$99,600
Unit B2, 6th Floor, Mai Hong Industrial Building, 160 Wai Yip Street, Kowloon, Hong Kong.	warehouse	10 September 2018 to 9 September 2020	HK$145,200
Car Park No. P13, 1st Floor, China Aerospace Centre, 143 Hoi Bun Road, Kowloon, Hong Kong.	car park	14 September 2017 to 30 September 2021	HK$36,000 (from 14 September 2017 to 30 September 2019); and HK$39,600 (from 1 October 2019 to 30 September 2021)
Car Park Nos. P41 and P43, 2nd Floor, China Aerospace Centre, 143 Hoi Bun Road, Kowloon, Hong Kong.	car park	1 June 2018 to 30 September 2021	HK$76,800 (from 1 June 2018 to 30 September 2019); and HK$79,200 (from 1 October 2019 to 30 September 2021)
The rear portion of 3rd Floor, 43 Tai Sun Street, Cheung Chau . . .	staff quarter	1 April 2019 to 31 March 2021	HK$108,000

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered a trademark in Hong Kong and two domain names. Further details on our trademark and domain names are set forth in the paragraph headed "Further information about our business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus. To the best of our Directors' knowledge and belief, during the Track Record Period, there were no material instance of infringement of intellectual property rights or disputes between our Group, our customers and other third parties in respect of intellectual property rights.

CERTIFICATIONS, LICENCES AND REQUIREMENTS FOR OUR BUSINESS OPERATION

Our Directors confirm that we had obtained all necessary licences, permits and certificates required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date. Please refer to "Business — Workplace safety — Certificates held by our employees" for further details of the certificates held by our employees. Our business activities are governed by various internal control policies and quality, environmental and occupational safety management system. For further information, please refer to "Business — Workplace safety".

AWARDS, RECOGNITIONS AND CORPORATE SOCIAL RESPONSIBILITIES

We have received a number of major awards and recognitions during our operating history. Below is summary of our recent awards:

Award/ recognition	Awarding body(ies)	Year(s) awarded/ recognised	Expiry date of most recent award/ recognition
Caring Company	The Hong Kong Council of Social Service	2011 to 2019	29 February 2020
Champion of the "16th high quality property management competition in Shatin district"	Customer D	2018	Not available

COMPETITION

Please refer to the section headed "Industry Overview" of this prospectus for details.

LITIGATIONS AND CLAIMS

During the Track Record Period and up to 31 July 2019, our Group has been or was involved in a number of claims and litigations. Our Directors confirm that none of the claims (whether settled or ongoing) were results of material non-compliance of any regulations or laws during the Track Record Period.

Save as disclosed below, during the Track Record Period and as at 31 July 2019, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Set out below are the details of:

(i) ongoing litigations against our Group as at 31 July 2019 where (a) the Company believes that the quantum of damages is likely to exceed HK$200,000; or (b) the Company is unable to ascertain the quantum of damages ("**Ongoing Major Litigations**");

(ii) ongoing litigations filed against our Group during the period from 1 August 2019 to the Latest Practicable Date;

(iii) potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related accidents and injuries as at 31 July 2019; and

(iv) material litigations against our Group settled (whether by way of court judgment or settlement) during the Track Record Period and up to 31 July 2019 where the settlement amount exceeds HK$200,000 (unless otherwise stated, excluding cost and disbursement borne by our Group) ("**Material Settled Litigations**").

(i) Ongoing Major Litigations

	Litigation case number	Brief particulars of the claim	Date of accident	Total amount claimed *(Note 1)* (approximately HK$)	Status	Coverage by insurance
Employees' compensation claims						
1.	DCEC355/2019	The plaintiff tripped by the uneven ground at the main entrance at a sports centre managed by our Group and suffered right shoulder rotator cuff tear during the course of employment	24/09/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
2.	DCEC899/2019	The plaintiff was tripped and stumbled by a carboy of water and fell down the floor while carrying out floor mopping duties during the course of employment	24/08/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
3.	DCEC1555/2019	The plaintiff suffered left finger fracture while cleaning the street during the course of the employment	03/07/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*

	Litigation case number	Brief particulars of the claim	Date of accident	Total amount claimed *(Note 1)* (approximately HK$)	Status	Coverage by insurance
4.	DCEC1810/2019	The plaintiff fell from the staircase whilst carrying a large rubbish bag and suffered right wrist fracture during the course of employment	09/03/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
5.	DCEC1191/2019	The plaintiff sprained her back while carrying a cardboard box of tissue at a sports centre during the course of employment	19/01/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
6.	DCEC1669/2019	The plaintiff sprained her back while retrieving water bucket from a dehumidifier during the course of employment	20/07/2017	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
7.	DCEC62/2018	The plaintiff tripped on a step and fell onto the ground at Yat Tung Shopping Centre during the course of employment	18/01/2016	To be assessed by the court	Ongoing and our Group is considering making sanctioned offer	*(Note 2)*
8.	DCEC95/2015	The plaintiff tripped over road kerb and sustained injury over left wrist after completing cleaning work during the course of employment	06/08/2013	HK$983,000 plus interest (inclusive of personal injury claim)	Ongoing and is at the evidence stage	*(Note 3)*
9.	DCEC1290/2019	The plantiff's head was hit by a table plank, causing thumb fractured and head injury in an accident occasioned by a negligent co-worker during the course of employment	13/12/2018	To be assessed by the court	Ongoing and is at the pleadings stage	*(Note 2)*
Personal injury claims						
10.	DCPI2284/2019	The plaintiff tripped over water hose and sustained injuries over right knee and wrist while carrying cleaning duties at a power station during the course of the employment	03/01/2017	To be assessed by the court	Ongoing but writ not yet served	*(Note 2)*
11.	DCPI1572/2019	The plaintiff sprained her back whilst cleaning up the drainage area during the course of employment	19/07/2016	To be assessed by the court	Ongoing and is between the pleadings stage and the discovery stage	*(Note 2)*

	Litigation case number	Brief particulars of the claim	Date of accident	Total amount claimed *(Note 1)* (approximately HK$)	Status	Coverage by insurance
12.	DCPI2947/2018	The plaintiff was struck by a rubbish bin fallen from the movable platform of the service vehicle and sustained injuries over left shoulder, head, hips and right leg while involving in a rubbish collection operation during the course of employment	15/07/2016	HK$1,064,000 plus interest	Ongoing and is between the pleadings stage and the discovery stage	*(Note 2)*
13.	DCPI2228/2019	The plaintiff slipped, fell forward on the slope and sustained serious injury to his left hand while carrying duty as a pest control worker during the course of employment	30/06/2016	HK$282,000 plus interest	Ongoing and is at the pleadings stage	*(Note 2)*
14.	DCPI744/2019	The plaintiff fell down the passageway near a market managed by our Group and sustained multiple injuries as a result	14/03/2016	To be assessed by the court	Ongoing but writ not yet served	*(Note 4)*
15.	DCPI640/2019	The plaintiff slipped on greasy substances on the floor at a bus depot and sustained injuries over left wrist, left elbow and right knee while operating the T-shaped scraper in a backward direction during the course of employment	01/09/2015	HK$1,434,000 plus interest	Ongoing and is at the discovery stage	*(Note 2)*
16.	DCPI719/2018	The plaintiff slipped on wet ground and sustained injury in a rubbish station during the course of employment	07/04/2015	HK$993,000 plus interest	Ongoing and is between the pleadings stage; the discovery stage; and the evidence stage	*(Note 2)*
17.	DCPI1796/2017	The plaintiff slipped on a mat covered with water and sustained injury while involving in a garbage disposal operation at a vehicle serving depot during the course of employment	29/08/2014	HK$1,368,000 plus interest	Ongoing and is between the pleadings stage; the discovery stage; and the evidence stage	*(Note 3)*
18.	DCPI1066/2017	The plaintiff slipped and fell onto the ground due to adverse weather and sustained low back injury while carrying out garbage collection duties during the course of employment	23/05/2014	HK$1,182,000 plus interest	Ongoing and is at the evidence stage	*(Note 3)*

	Litigation case number	Brief particulars of the claim	Date of accident	Total amount claimed *(Note 1)* (approximately HK$)	Status	Coverage by insurance
19.	DCPI829/2017	The plaintiff sustained injury over left hand while assisting in a refuse collecting operation during the course of employment	16/04/2014	HK$480,000 plus costs	Ongoing and is at the discovery stage	*(Note 3)*
20.	DCPI2479/2016	The plaintiff sustained injury while clearing and moving a box of debris and miscellaneous objects during the course of employment	19/01/2014	HK$1,000,000 plus interest	Ongoing and is at the hearing stage	*(Note 3)*
21.	DCPI1565/2016	The plaintiff tripped over road kerb and sustained injury over left wrist after completing cleaning work during the course of employment	06/08/2013	Identical amount as disclosed in DCEC95/2015	Ongoing and is at the evidence stage	*(Note 3)*
Other Litigations						
22.	DCCJ1508/2018	The plaintiff claimed damages arising from flooding caused by the operation of our Group in the vicinity of an elevator inside a residential property	17/04/2012	HK$205,000 plus interest and costs	Ongoing and is at the discovery stage	*(Note 5)*

Note 1: The amount is rounded to the nearest thousand. This information is prepared based solely on the documents (including statement of damages) filed in the courts by the claimant or correspondences made by the claimant or his/her representatives.

Note 2: Our Group's legal liabilities in respect of bodily injury or death by accidents occurring arising out of and in the course of employment under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law together with all costs and expenses incurred by our Group in defending such claim for compensation or damages are indemnified by the employees' compensation insurance policy maintained by our Group up to the policy limit of liability of HK$200.0 million per accident or disease, save that our Group shall be responsible for the first HK$2.0 million of all claims indemnifiable under such policy.

Note 3: Our Group's legal liabilities in respect of bodily injury or death by accidents occurring arising out of and in the course of employment under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law together with all costs and expenses incurred by our Group in defending such claim for compensation or damages are indemnified by the employees' compensation insurance policy maintained by our Group up to the policy limit of liability of HK$200.0 million per accident or disease, save that our Group shall be responsible for the first HK$5.0 million of all claims indemnifiable under such policy.

Note 4: Our Group's legal liabilities in respect of accidental death or bodily injury including illness of such person resulting from accidents in connection with the business of our Group together with all costs and expenses recovered by such person against our Group or incurred by our Group are indemnified by the public liability insurance policy maintained by our Group up to the policy limit of liability of HK$10.0 million per accident, save that our Group shall be responsible for the first HK$30,000 or 20% of loss (whichever is greater) in respect of each and every claim.

Note 5: Our Group's legal liabilities in respect of accidental loss of or damage to any property resulting from accidents in connection with the business of our Group together with all costs and expenses recovered by such party against our Group or incurred by our Group are indemnified by the public liability insurance policy maintained by our Group up to the policy limit of liability of HK$20.0 million per accident, save that our Group shall be responsible for the first HK$30,000 or 20% of loss (whichever is greater) in respect of each and every claim.

As at 31 July 2019, there were 44 on-going litigations against our Group and out of which 22 of them were Ongoing Major Litigations. 20 of these Ongoing Major Litigations are related to accidents taken place arising out of and in the course of employment of the employees of our Group. The maximum total amount claimed in respect of 22 Ongoing Major Litigations, for which the total amount claimed is ascertainable, amounted to approximately HK$9.0 million as at 31 July 2019. Given that (i) our Group has been one of the largest cleaning services providers in the market and runs a large-scale operation; and (ii) most claims arose in our Group's normal and ordinary course of business, our Directors are of the view that the occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry our Group engages in. Our Company further believes that potential liabilities arising from these 44 ongoing litigations, even if materialised, would not have material impact on our Group's financial performance and business operation taking into account (i) the liabilities borne by our Group in relation to these 44 ongoing litigation individually are immaterial based on assessment of the likely quantum of the damages by our management, law firms acting for the insurer or claims management company engaged by our Group; (ii) the provision made and the contingent liability disclosed in our consolidated financial statements in relation to these on-going litigations as at 31 March 2019 amounted to approximately HK$3.4 million and HK$1.3 million respectively; (iii) the total historical expenses (including total compensations paid to the claimants, legal costs and disbursements incurred) by our Group in settlement of litigations and non-litigation claims against our Group arising out of work-related accidents and injuries amounted to approximately HK$2.3 million, HK$7.8 million and HK$11.0 million for the three years ended 31 March 2017, 2018 and 2019 respectively; and (iv) the employees' compensation insurance policy maintained by our Group will indemnify our Group's liability in respect of bodily injury or death by accidents arising out of and in the course of employment under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law where the liabilities exceed HK$5.0 million for accidents occurred from 1 November 2012 to 31 October 2014 and HK$2.0 million for accidents occurred from 1 November 2014 to 31 October 2019.

(ii) Ongoing litigations filed against our Group filed during the period from 1 August 2019 to the Latest Practicable Date

During the period from 1 August 2019 to the Latest Practicable Date, there was an employees' compensation claim filed against our Group (DCEC2175/2019), which relates to an accident arising out of and in the course of the employment of our Group's employees.

The nature of the injuries sustained in that accident includes, inter alia, finger injury, joint stiffness and leg and knee injury.

Our Group has engaged the insurer in relation to such litigations to monitor the status and development. As at the Latest Practicable Date, the maximum total amount claimed in respect of DCEC2175/2019 cannot yet be ascertained.

The employees' compensation insurance policy maintained by our Group will indemnify our Group's liability in respect of bodily injury or death by accidents arising out of and in the course of employment under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law where the liabilities exceed HK$2.0 million for accidents occurred from 1 November 2014 to 31 October 2019.

The Company will in due course consider making provisions and disclosing contingent liabilities, as appropriate in our consolidated financial statements according to our Group's accounting policy.

(iii) Potential litigations in relation to employees' compensation claims and common law personal injury claims against our Group arising from work-related accidents and injuries as at 31 July 2019

Our Group's liabilities in work-related accidents and injuries include those (i) statutory benefits stipulated under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong); and (ii) damages arising out of common law personal injury claims. The Employees' Compensation Ordinance is a no fault system and gives employees right to compensation in respect of, inter alia, injuries or death caused by accidents arising out of and in the course of employment. A common law personal injury claim may arise if the injury is occasioned to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. Hence, for some of the potential claims, even if the relevant employee's compensation claims had already been settled under our Group's employees' compensation insurance, the injured employees may still pursue further legal proceedings through personal injury claims against our Group under the common law. The damages awarded under the common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) in any event.

Our Directors confirm that, as at 31 July 2019, there were 19 employees' compensation claims which are either on-going or settled but as the limitation period for personal injury claims (which is generally three years from the date of the relevant accidents in accordance with Limitation Ordinance (Cap. 347 of the Laws of Hong Kong)) has not lapsed, it is still possible for the subject persons to commence common law personal injury legal actions against our Group under common law.

In addition, from 1 August 2016 to 31 July 2019, there are a total of 678 work-related accidents and injuries reported to Labour Department pursuant to section 15 of the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) but no further legal action has commenced in respect of such cases after the reporting. As at the 31 July 2019, no employees' compensation litigation claim and no common law personal injury litigation in relation to the 678 work-related accidents and injuries have commenced against our Group. The nature of the 678 work-related accidents and injuries are mainly related to (i) contusion and bruise; (ii) slipping, tripping or falling on same level; and (iii) sprain and strain, respectively. As legal actions in relation to such work-related accidents and injuries have not commenced, we are not in a position to assess the likely quantum of such potential cases. The Company will regularly assess the necessity to make adequate provision or disclose contingent liability in our financial statements based on the status and development of such cases and the evidence available to the Company for the assessment.

Our Group has maintained both employees' compensation insurance and public liability insurance to cover the abovementioned claims arising out of work-related accidents and injuries. In relation to accidents that took place within the course of employment during the Track Record Period and up to the 31 July 2019, the employees' compensation insurance policy limit of liability per case amounted to HK$200.0 million; and we are generally responsible for the first HK$2.0 million in respect of any claims indemnifiable under the policy, while the insurer shall be liable to pay the excess amount after deduction of the said HK$2.0 million in respect of the claims indemnifiable under the policy. The total historical expenses (including total compensation paid to the claimants, legal costs and disbursements) incurred by our Group in settlement of litigations and non-litigation claims against our Group arising out of work-related accidents and injuries amounted to approximately HK$2.3 million, HK$7.8 million and HK$11.0 million for the three years ended 31 March 2017, 2018 and 2019 respectively. Please refer to the paragraph headed ''Insurance'' in this section for the details of the public liability insurance maintained by our Group.

Our Directors are of the view that the aforementioned potential litigations, if materialised, will not have a material impact on our Group's financial and operational performance taking into account (i) the employees concerned with these 678 work-related accidents and injuries only account for a small portion of our Group's total number of employees; (ii) these work-related accidents and injuries arose during our Group's usual and ordinary course of business, which are not uncommon in the industry our Group engages in; (iii) these accidents and injuries have not resulted in any termination of contract or issue of demerit points by our customers against our Group during the Track Record Period; (iv) these work-related accidents and injuries have not caused material disruption to our Group's business as the difficulty to replace workers to fill up the vacancies of the injured employees is low; and (v) the employees' compensation insurance policy maintained by our Group will indemnify our Group's liability in respect of bodily injury or death by accidents occurring arising out of and in the course of employment under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) and common law where the liabilities exceed HK$2.0 million for accidents occurred during the Track Record Period.

(iv) Material Settled Litigations

	Litigation case number	Date of accident	Brief particulars of the claim	Settlement amount *(Note 1)* (approximately HK$)	Settlement date
Employees' compensation claims					
1.	DCEC995/2019	18/09/2017	The plaintiff slipped and tripped over a jack due to slippery floor and sustained multiple injuries during the course of employment	HK$220,000 *(Note 2)*	15/06/2019
2.	DCEC2245/2018	05/06/2017	The plaintiff sustained injuries over her right hand and fingers while assisting in operating lawn mower during the course of employment	HKD300,000 *(Note 2)*	25/03/2019
3.	DCEC2482/2017	10/04/2017	The plaintiff missed his footing and fell on the bottom of an emptied river while walking backward to check cleaning work. He sustained injuries over his right shoulder and right elbow as a result during the course of employment	HK$460,000 *(Note 2)*	03/04/2018
4.	DCEC790/2018	28/08/2016	The plaintiff sustained injury over/over back waist while carrying out cleaning duties at a parking lot during the course of employment	HK$250,000 *(Note 2)*	15/02/2019
5.	DCEC1076/2018	21/05/2016	The plaintiff lost balance due to carrying heavy water bucket and sustained injury over right leg during the course of employment	HK$256,000 *(Note 2)*	30/10/2018
6.	DCEC771/2018	04/05/2016	The plaintiff slipped and fell forward onto a cement ramp which was wet and slippery during the course of employment and sustained injury to her left ankle as a result	HK$251,000 *(Note 2)*	24/05/2018
7.	DCEC45/2018	07/01/2016	The plaintiff was assaulted by a third party who pushed him in the chest with both hands while sweeping the floor, causing him to fall backwards onto the ground and sustained serious injuries and death was resulted subsequently	HKD425,000 *(Note 2)*	13/03/2019
8.	DCEC191/2017 DCPI407/2017	13/11/2015	The plaintiff lost balance and slipped over the slope and sustained injury during the course of employment	HK$520,000 *(Note 3)*	11/10/2017

	Litigation case number	Date of accident	Brief particulars of the claim	Settlement amount *(Note 1)* (approximately HK$)	Settlement date
9.	DCEC58/2017	07/04/2015	The plaintiff fell over and sustained injuries while carrying the trolley back to the trash station during the course of employment	HK$283,000 *(Note 2)*	24/08/2018
10.	DCEC48/2017	23/03/2015	The plaintiff slipped and sustained injury while carrying the trolley back to the trash station during the course of employment	HK$243,000 *(Note 2)*	23/04/2018
11.	DCEC984/2017	16/01/2015	The plaintiff slipped and sustained waist injury while cleaning the floor during the course of employment	HK$200,000 *(Note 2)*	18/10/2017
12.	DCEC1413/2017	24/12/2014	The plaintiff tripped over the door threshold and sustained injuries over left leg during the course of employment	HK$447,000 *(Note 3)*	17/11/2017
13.	DCEC2262/2016	20/12/2014	The plaintiff slipped and fell over while carrying out cleaning work during the course of employment	HK$210,000 *(Note 2)*	27/10/2017
14.	DCEC1698/2016	04/09/2014	The plaintiff was hit by concrete blocks fallen off from the ceiling and sustained injuries during the course of employment	HK$384,000 *(Note 2)*	07/11/2017
15.	DCEC436/2016	29/05/2014	The plaintiff sustained injuries while collecting trash during the course of employment	HK$276,000 *(Note 2)*	05/12/2017

Litigation case number	Date of accident	Brief particulars of the claim	Settlement amount *(Note 1)* (approximately HK$)	Settlement date
Personal injury claims				
16. An individual employee *(Note 4)*	28/08/2016	The plaintiff sprained his right arm and sustained injury during the course of employment	HK$220,000 *(Note 4)*	04/09/2018
17. HCPI1243/2017	13/12/2014	The plaintiff sustained injury arising out of a traffic accident while commuting to work site during the course of employment	HK$500,000 *(Note 2)*	10/04/2019
18. HCPI1408/2016	07/01/2014	The plaintiff sustained bone fracture over left arm while carrying out cleaning duties during the course of employment	HK$600,000 *(Note 2)*	07/05/2018
19. DCPI2137/2016	05/11/2013	The plaintiff's toes were injured by the floor cleaning machine during the course of employment	HK$400,000 *(Note 2)*	06/08/2018
20. DCPI1157/2016	08/06/2013	The plaintiff slipped, fell backward and sustained head injury while moving an electricity generator during the course of employment	HK$200,000 *(Note 2)*	23/01/2018

Note 1: the amount is rounded to the nearest thousand.

Note 2: the amount represents payment made by our Group in full and complete settlement of the claim excluding cost and disbursement.

Note 3: the amount represents payment made by our Group in full and complete settlement of both employees' compensation claim and personal injury claim under common law intended to be brought by such employee arising out of the same accident including cost and disbursement.

Note 4: the amount represents payment made by our Group in full and complete settlement of the claim including cost and disbursement.

REGULATORY NON-COMPLIANCE

We have inadvertently breached certain sections of the Inland Revenue Ordinance. The table below summarizes the non-compliance with the major requirements of the Inland Revenue Ordinance by our Group during the Track Record Period:

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
Non-compliance with sections 52(4) and 52(5) of the Inland Revenue Ordinance ("**IRO**")	The Company had failed to submit (i) notices regarding the commencement of employment of employees (Forms IR56E) which are required to be filed within three months after the commencement of employment of a relevant employee and (ii) notices regarding the cessation of employment of employees (Forms IR56F) which are required to be filed no later than one month before the expected date of cessation of employment of a relevant employee in accordance with the requirements of the IRO for the Track Record Period.	The breaches were not wilful and were due to (a) the misunderstanding of the responsible human resources staff responsible for employee records at the relevant time, who mistakenly believed that the submission of Forms IR56E and IR56F in relation to such employees would not be required, as such employees (and in the case of married employees, such employees and their spouses) would not be or would not likely be chargeable to salaries tax, and in the case of employees who would be chargeable to salaries tax and married employees, the submission of Forms IR56E and IR56F would not be required for those employees as long as the information regarding (i) the commencement of employment and (ii) the cessation of employment of such employees were included in the Forms IR56B in relation to such employees (Note) and (b) the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	We called the general enquiry hotline of the Inland Revenue Department ("**IRD**") in January 2019 to inquire about this issue. Upon inquiry, we were informed that the outstanding Forms IR56E and IR56F for employees who commenced or ceased employment during the Track Record Period were not required to be submitted since Forms IR56B in relation to such employees, which cover the relevant details set out in the Forms IR56E and IR56F, had been submitted.	Pursuant to section 80(1) of the IRO, any person who fails to comply with section 52(4) or (5) of the IRO without reasonable excuse commits an offence and would be liable on conviction to a maximum fine of HK$10,000 for each charge or contravention. Upon consultations with our tax advisor, an internationally recognised accounting firm, our Directors are of the view that the chance of the IRD taking any action is low, given that for employees who are subject to salaries tax, the submission of Forms IR56B in relation to such employees may serve the purpose of notifying the IRD of a commencement or cessation of employment as the form contains such employees' employment period and other relevant information; and (ii) based on their experience, the enforcement of the requirement on the filing of Forms IR56E and IR56F by the IRD is not strict in practice.	With effect from 1 December 2018, our Group has designated our human resources department to conduct monthly reviews to ensure that the information regarding the commencement and cessation of employment of our employees is recorded in the system and is up to date. Our Group will also keep a register of the commencement and cessations of employment of all employees to ensure that the relevant information will be filed to the IRD when appropriate. There will also be additional cross checking of the relevant fillings by staff and supervisors. Our Group has filed Forms IR56E and IR56F for our employees who commenced or ceased employment since 1 December 2018.

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
				As at the Latest Practicable Date, we had not received any notice of enforcement or penalty from the IRD. Hong Kong Huafa, HJ Capital (International) and Canvest (China), our Controlling Shareholders, have agreed to severally indemnify us for any penalties, claims and losses which would be incurred or suffered by us in connection with the aforesaid non-compliance occurred on or before the Listing Date.	

Note: Despite our Group's failure to submit Forms IR56E and IR56F to the IRD for the Track Record Period, our Group has filed the Form IR56B in relation to each employee employed by our Group annually which contained, among other things, the identity, employment period and salary of such employees during each of the assessment years, allowing the IRD to be fully informed of the employment affairs of our Group and to compute the tax payable by our Group and such employees respectively. Our Directors confirmed that our Group has not received any notice from the IRD during the Track Record Period for our failure to submit Forms IR56E and IR56F.

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
Non-compliance with sections 52(2) of the IRO	The Company had underreported the remuneration of HK$327,979 in relation to the employer's return of remuneration and pensions (Form IR56B) in relation to two senior employees, being Mr. Cheung and Mr. Szeto, our Co-CEOs, for the tax year 2016/2017. Save as disclosed above, the Company was not aware of any material non-compliance of under-reporting of remuneration under Forms IR56B during the Track Record Period.	The underreported remuneration (representing year-end bonuses paid by cheque which were not recorded under the payroll system) was inadvertently under-reported on the Forms IR56B in relation to the two senior employees as only remuneration paid via payroll was extracted and reported in the relevant Forms IR56B.	We have engaged our tax advisor, an internationally recognised accounting firm, to engage in correspondence and discussions with the IRD regarding this issue, and have submitted revised Forms IR56B in relation to the two senior employees to the IRD in November 2018.	Pursuant to section 80(2)(c) of the IRO, any person who without reasonable excuse gives any incorrect information in relation to any matter or thing affecting his own liability (or the liability of any other person) to tax commits an offence with a maximum penalty of HK$10,000 plus a further fine of treble the amount of tax which has been undercharged, if any. Even though the directors of the Company were not liable under section 80(2)(c) of the IRO, section 80(4) of the IRO provides that, any person who aids, abets or incites another person to commit an offence under this section shall be deemed to have committed the same offence and to be liable to the same penalty. Pursuant to section 82(1) and 82(1A) of the IRO, any person who wilfully with intent to evade or to assist any other person to evade tax is liable on indictment to a fine of HK$50,000, a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected, and imprisonment for three years. Pursuant to section 82A(1) of the IRO, if the IRD chooses not to prosecute under sections 80 and/or 82 of the IRO as above, it can by virtue of section 82A(1) of the IRO make assessment to a maximum additional tax of an amount not exceeding treble the amount of tax which has been undercharged in consequence of the incorrect information.	With effect from 1 January 2019, our Group has designated our human resources department to regularly review records of all payments made to our employees (including salaries and bonuses) in our Group's electronic system. The chief financial officer is responsible for conducting monthly reconciliations to ensure the accuracy of the information recorded in our Group's system.

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
				Upon consultations with our tax advisor, an internationally recognised accounting firm, given that the non-compliance incidents do not involve wilful tax evasion, we believe that the maximum penalty that the IRD may levy on the Company in relation to this non-compliance is approximately HK$187,000. Upon consultations with our tax advisor, an internationally recognised accounting firm, our Directors are of the view that the chance of the IRD taking any action is low, given that it is rare for the IRD to seek the maximum penalty through prosecution procedures. The IRD would usually try to collect uncovered tax payable by other persons from the Company that has omitted to report income in the form of additional tax in accordance to its penalty policy. Further, the Company has been informed by the IRD that it did not intend to take further action in respect of the issue. As at the Latest Practicable Date, we had not received any notice of enforcement or penalty from the IRD. Hong Kong Huafa, HJ Capital (International) and Canvest (China), our Controlling Shareholders, have agreed to severally indemnify us for any penalties, claims and losses which would be incurred or suffered by us in connection with the aforesaid non-compliance occurred on or before the Listing Date.	

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
Non-compliance with section 51(4) of the IRO	The Company had failed to submit the Forms IR56M for 2 counter parties for the tax year 2015/2016 and for 9 counter parties for the tax year 2016/2017.	The breaches were not wilful and were due to the administrative oversight of the responsible human resources staff in extracting the relevant information for preparing the notifications. Our Directors had no direct or wilful involvement in the breach.	We have engaged our tax advisor, an internationally recognised accounting firm, to enter into various correspondence and discussions with the IRD regarding this issue, and have submitted revised Forms IR56M in relation to the 9 counter parties for which the Company failed to submit the Forms IR56M for the tax year 2016/2017 in November 2018 and in relation to the 2 counter parties for which the Company failed to submit the Forms IR56M for the tax year 2015/2016 in January 2019.	Pursuant to sections 80(2)(c) and 80(2)(d) of the IRO, any person who fails to file a Form IR56M in relation to remuneration paid to a person other than an employee commits an offence, with a maximum penalty of HK$10,000 plus a further fine of treble the amount of tax which has been undercharged, if any. Upon consultation with our tax advisor, an internationally recognised accounting firm, given that the non-compliance incidents do not involve wilful tax evasion, we believe that (i) the maximum penalty that the IRD may levy on the Group in relation to this non-compliance is approximately HK$2,177,000; and (ii) the chance of the IRD taking any action is low, given that it is rare for the IRD to seek the maximum penalty through prosecution procedures. The IRD would usually try to collect uncovered tax payable by other persons from the Company that has omitted to report income in the form of additional tax in accordance to its penalty policy. Further, the Company had been informed by the IRD that it did not intend to take further action in respect of the issue.	With effect from 1 January 2019, our Group has designated our human resources department to regularly review records of all payments made to persons other than our employees in our Group's electronic system. The chief financial officer will be responsible for conducting regular reviews of such payments made to ensure the accuracy of the information recorded in our Group's system and that Forms IR56M are properly filed in accordance with the requirements of the IRO in relation to payments made to persons other than our employees to avoid any non-compliance in the future.

Relevant sections of the Ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Rectification actions	Legal consequences and potential liabilities	Enhanced internal control measures
				As of the Latest Practicable Date, we had not received any notice of enforcement or penalty from the IRD. Hong Kong Huafa, HJ Capital (International) and Canvest (China), our Controlling Shareholders, have agreed to severally indemnify us for any penalties, claims and losses which would be incurred or suffered by us in connection with the aforesaid non-compliance occurred on or before the Listing Date.	

Taking into account the foregoing, our Directors believe that none of the non-compliance matters mentioned above will have any material adverse effect on our business, financial conditions and results of operations. Save as disclosed above, that it had complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

INTERNAL CONTROL

In order to ensure the ongoing compliance with relevant regulatory requirements, we have adopted and implemented or expect to adopt and implement a series of specific internal control measures prior to the Listing:

- Our Directors attended a training session on 24 January 2019 in respect of the ongoing obligations, duties and responsibilities of directors of publicly listed companies in Hong Kong under the Listing Rules;

- An audit committee has been established comprising three independent non-executive Directors to review and provide advice in respect of financial reporting and oversee the internal control procedures of our Company;

- We will appoint WAG Worldsec Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide us with guidance and advice as to compliance with the requirements under the Listing Rules; and

- We will engage external legal counsel and other advisers to render professional advice and training as to compliance with the statutory requirements as applicable to our Group from time to time, if necessary.

We engaged an independent internal control adviser, BT Corporate Governance Limited (formerly known as "Corporate Governance Professionals Limited" and "Baker Tilly Hong Kong Risk Assurance Limited"), on 7 August 2018 to perform review on our internal control procedures and to assist the Sponsor in assessing the adequacy of the internal controls of our Group for, among others, compliance with the relevant legal and regulatory requirements. The internal control adviser is in the business of, among others, corporate governance, risk management and advisory, internal audit and internal control regulatory compliance services to listed companies and listing applicants in Hong Kong.

Upon consultation with the internal control adviser, the Directors understand that no material weakness and deficiencies in relation to the Group's financial reporting and accounting system but some recommendations were provided for the enhancement of our internal control system.

Since November 2018, we have adopted rectification and improvement measures, as the case may be, in response to the internal control adviser's findings. The internal control adviser has conducted a follow-up review for the period from 1 November 2018 to 11 January 2019 on our internal control system with regard to our rectification and improvement actions, as the case may be, and the Group has adopted key recommendations as made by the internal control adviser including (i) establishing relevant mechanisms to ensure the independence of the Company and its management to the shareholders; (ii) enforcing the approval process for tender applications in accordance with the authorization matrix; (iii) enhancing staff remuneration recording system and strengthening review mechanisms on tax filing; (iv) formalizing the preparation and approval process on budget and variance; (v) establishing enhanced internal control measures in regard to tax filing; and (vi) enhancing internal control procedures in relation to, among others, proper and timely filing and reporting, and maintaining work place safety.

Specific measures concerning tax filing

- We keep a record that contains personal details of our employees and directors. We are using a management system that records the remuneration paid to our employees and directors. We check the amount of remuneration paid to our employees and directors on a monthly basis. We also review the marriage status of our employees and directors as well as check the total amount of remuneration paid to each of them annually to ascertain if filing of Form IR56B for our employees and directors to the IRD is necessary.

- The human resources department keeps a record that contains the details of our human resources suppliers as well as the personal details of third-party workers and their salaries during the service period. To confirm the attendance of our third-party workers, we keep a record, which is required to be signed by our third-party workers after receiving the payment of salary. Our human resources department reviews and checks the total amount of salaries paid to each of our third-party workers annually to ascertain if the filing of Form IR56M for our third-party workers to the IRD is necessary.

Specific measures concerning regulatory compliance

- To ensure that we pay compensation to our injured frontline workers within the time limit in accordance with the Employees' Compensation Ordinance, We keep a registry that records the details, processing status and compensation for each personal injury case. We will also provide additional training to our frontline workers to improve their awareness of the importance of reporting work-related injuries.

- We comply with the Employment Ordinance by paying salaries to our employees within seven days after the end of the wage period. We also have a monitoring mechanism in place to ensure the compliance with the Employment Ordinance as well as Occupational Safety and Health Ordinance. We expect to employ a compliance officer for compliance inspection and providing relevant training to our employees in the second half of 2019.

Directors' and the Sponsor's views on internal control measures

Having considered the enhanced internal control measures as set out above, our Directors are of the view, and the Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective.

Further, given the rectification and improvement status of the non-compliance incidents identified as well as the Deed of Indemnity given in favour of us by the Indemnifiers, our Directors are of the view, and the Sponsor concurs, that the non-compliance incidents do not materially affect our suitability for listing under Rule 8.04 of the Listing Rules.

OVERVIEW

Immediately following completion of the Global Offering, Hong Kong Huafa, HJ Capital (International) and Canvest (China) will legally and beneficially hold 42.00%, 2.25% and 30.75% of our issued Shares, respectively.

As at the Latest Practicable Date, Hong Kong Huafa is wholly owned by Zhuhai Huafa. Zhuhai Huafa is a large state-owned conglomerate based in Zhuhai, the PRC, It has business operations in major PRC cities including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Suzhou, Wuxi etc.. Hong Kong Huafa is an investment holding company based in Hong Kong and is a subsidiary of Zhuhai Huafa. As at the Latest Practicable Date, Zhuhai Huafa through Hong Kong Huafa and Huajin Investment indirectly holds 36.88% of the issued shares of HJ Capital (International) whose share are listed on the Main Board of the Stock Exchange. Based on the aforesaid, Zhuhai Huafa through its subsidiaries, Hong Kong Huafa, Huajin Investment and HJ Capital (International), is entitled to and together are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following completion of the Global Offering, and thus Zhuhai Huafa, Hong Kong Huafa, Huajin Investment and HJ Capital (International) are considered as a group of Controlling Shareholders ("**Huafa Controlling Shareholders**").

As at the Latest Practicable Date, Canvest (China) is indirectly wholly owned by Canvest Environmental through Yi Feng. Canvest Environmental is a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 1381). Canvest Environmental is principally engaged in the provision of environmental hygiene and related services and operation and management of waste-to-energy plants. As at the Latest Practicable Date, Canvest Environmental is owned as to 54.73% by Best Approach Developments Limited (which is in turn directly held as to 55% by Harvest Vista Company Limited and indirectly held as to 45% by Harvest Vista Company Limited through Century Rise Development Limited). The entire issued share capital of Harvest Vista Company Limited 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. 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.

As such, each of Canvest (China), Yi Feng, Canvest Environmental, Best Approach Developments Limited, Century Rise Development Limited, Harvest Vista Company Limited, Ms. Lee, Wing Yee Loretta and Mr. Lai, Kin Man is entitled to and together are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following completion of the Global Offering, and thus are considered as our Controlling Shareholders ("**Canvest Controlling Shareholders**") and a group of controlling shareholders (as defined under the Listing Rules). As HSBC International Trustee Limited is the trustee of Harvest VISTA Trust, HSBC International Trustee Limited is also considered as our Controlling Shareholder.

Accordingly, Huafa Controlling Shareholders, Canvest Controlling Shareholders and HSBC International Trustee Limited are considered as our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on Huafa Controlling Shareholders, Canvest Controlling Shareholders and their respective close associates in consideration of the following factors:

(i) Management independence

Our Group's daily management and operational decisions are made by executive Directors and our senior management. Upon Listing, our non-executive Directors will continue to hold directorships and roles at Huafa Controlling Shareholders or Canvest Controlling Shareholders as set out below:

Name of Director	Positions held at our Company	Key positions held at Huafa Controlling Shareholders	Key positions held at Canvest Controlling Shareholders
Xu, Jili	Non-executive Director	chief financing officer of Zhuhai Huafa	nil
Li, Yanmei	Non-executive Director	general manager and chairman of the board of Hong Kong Huafa	nil
Xie, Hui	Non-executive Director	board secretary of Zhuhai Huafa	nil
Ye, Ning.	Non-executive Director	assistant to the general manager of Zhuhai Financial Investment Holdings Group Company Limited, a non-wholly-owned subsidiary of Zhuhai Huafa	nil
Lee, Wing Yee Loretta	Non-executive Director	nil	executive director and chairlady of the board of Canvest Environmental, director of Yi Feng and director of Canvest (China)
Wong, Ling Fong Lisa	Non-executive Director	nil	chief financial officer and company secretary of Canvest Environmental

Name of Director	Positions held at our Company	Key positions held at Huafa Controlling Shareholders	Key positions held at Canvest Controlling Shareholders
Zhou, Wenjie . . .	Non-executive Director	nil	deputy general manager of Canvest Yuezhan Environmental Investment (Guangdong) Company Limited, an indirect wholly-owned subsidiary of Canvest Environmental

COMPETITION

Canvest Environmental and its subsidiaries are principally engaged in the provision of environmental hygiene and related services and operating and managing waste-to-energy plants in the PRC. As disclosed in the annual report of Canvest Environmental for the financial year ended 31 December 2018, Canvest Environmental and its subsidiaries engaged in various waste-to-energy projects in the PRC and recorded a revenue of approximately HK$3,325.9 million. All of the revenue of Canvest Environmental was derived in the PRC. Over 95% of the workforce of Canvest Environmental and its subsidiaries was based in the PRC as at 31 December 2018. To the best knowledge of our Company, Canvest Environmental and their subsidiaries do not engage in the environmental hygiene business in Hong Kong except for its equity investment made by its indirect wholly-owned subsidiary, Canvest (China) in our Company.

Taking into account of the principal business activities, geographical location of business operations, workforce and the business scale of Canvest Environmental and its subsidiaries, our Directors are of the view that that Canvest Controlling Shareholders do not have any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under 8.10 of the Listing Rules.

Our Board comprises two executive Directors, seven non-executive Directors and five independent non-executive Directors ("**INEDs**"). Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak are our executive Directors and Ms. Xu Jili is the Chairman of our Board.

The Directors believe that our Group will be able to manage independently of Huafa Controlling Shareholders, Canvest Controlling Shareholders and their respective close associates despite the overlapping directorship for the following reasons:

(i) daily management and operational decisions are made by the executive Directors and our senior management who have extensive experience in project management and environmental hygiene industry;

(ii) while assuming a supervisory role in ensuring a solid foundation for the Company's good corporate governance, the overlapping Directors are all non-executive Directors who are not responsible for our Group's business operations;

(iii) the Board of Directors will comprise two executive Directors, neither of them has an ongoing role with Huafa Controlling Shareholders or Canvest Controlling Shareholders, and are therefore independent from the said Controlling Shareholders. Accordingly, the Directors believe that our executive Directors can exercise independent judgment free from any conflict of interest;

(iv) with five INEDs out of a Board size of fourteen members, the Directors believe that there is a strong element on the Board of Directors which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;

(v) each of our Directors is aware of his or her fiduciary duties as a Director of our Company which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(vi) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from Huafa Controlling Shareholders, Canvest Controlling Shareholders and their respective close associates after the Global Offering.

(ii) Independence of business operations

We have established our own organisation structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We hold our own operational resources for our business, and we have sufficient capital, facilities, equipment and employees to operate the business independently from Huafa Controlling Shareholders and Canvest Controlling Shareholders and/or their respective close associates. We have maintained business relationship with our customers and suppliers who are Independent Third Parties, and do not intend to enter into any connected transactions or continuing connected transactions with our connected persons save for the fully exempt continuing connected transaction that will continue upon Listing as are set out in the section headed "Continuing Connected Transaction" in this prospectus.

Based on the above, our Directors are of the view that there is no operational dependence by our Group on the Controlling Shareholders.

(iii) Financial independence

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders. We historically have had, and will following completion of the Global

Offering continue to have, our own financial and accounting systems. Our own finance department is capable of discharging the treasury functions for cash receipts and payments, financial control, accounting, reporting, group credit and internal control independently of the Huafa Controlling Shareholders, Canvest Controlling Shareholders and their respective close associates. During the Track Record Period and up to the Latest Practicable Date, Hong Kong Huafa and Canvest (China) provided corporate guarantees in favour for us in respect of certain of our borrowings from various banks or certain obligations under finance leases of the Group. Please refer to notes 28, 29 and 33(a) of the Accountant's Report in Appendix I for details of corporate guarantees provided by our Huafa Controlling Shareholders and Canvest Controlling Shareholders to us in respect of certain bank borrowings during the Track Record Period. Our Directors confirm that all such corporate guarantees provided by Huafa Controlling Shareholders and Canvest Controlling Shareholers will be released or replaced by our Company's corporate guarantees upon Listing.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our Shareholders:

(i) a Controlling Shareholder will excuse itself from the Board meetings of our Company and abstain from voting on any Board resolutions in relation to any proposal in which that Controlling Shareholder(s) would have conflicting interests to those of the other Shareholders. In such case, the other non-interested Directors and the INEDs, with the assistance of our senior management, will be responsible for making decisions for the Board. If necessary, our Company will engage external professionals such as auditors, valuers and other advisers to give advice;

(ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. If potential conflict of interest arises, the interested Director(s) will bring the matter to the INEDs and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;

(iii) our Company will engage WAG Worldsec Corporate Finance Limited as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the Listing Rules and any other applicable laws and regulations;

(iv) the INEDs may engage an independent professional advisers in appropriate circumstances at the Company's costs; and

(v) our Directors are obliged under the Articles of Association to declare to the Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested. The Board (including the INEDs) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmations to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between each of Huafa Controlling Shareholders and Canvest Controlling Shareholders and its associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

Following the Listing, the following transaction between our Group and the relevant connected person (as defined in the Listing Rules) will constitute continuing connected transactions under the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Upon the Listing, the transaction sets forth below will constitute exempt continuing connected transaction of our Company for the purpose of Chapter 14A of the Listing Rules:

Compliance Adviser Engagement Agreement

Background of WAG Worldsec Corporate Finance Limited ("WAG")

WAG is a licensed corporation under the SFO permitted to carry out type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO).

As at the Latest Practicable Date, WAG is a wholly-owned subsidiary of HJ Capital (International) which in turn hold as to 36.88% of Huajin Investment. Huajin Investment is wholly-owned by Hong Kong Huafa which in turn is wholly owned by Zhuhai Huafa. Zhuhai Huafa through Hong Kong Huafa and Huajin Investment indirectly holds 36.88% of the issued shares of HJ Capital (International), a Controlling Shareholder of our Company. HJ Capital (International) is an indirect subsidiary of Zhuhai Huafa. As such, WAG is an associate of a connected person of our Company pursuant to Rule 14A.13(3).

Nature of transaction

On 28 January 2019, our Company entered into a compliance adviser engagement agreement (the "**Engagement Agreement**") with WAG, under which our Company agreed to engage WAG as our compliance adviser for a period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date. Pursuant to the Engagement Agreement, the monthly fee payable to WAG shall be in the sum of HK$70,000 (exclusive of reasonable disbursements such as transportation, beverage and accommodation expenses which may be incurred by WAG for attending meetings and shall be payable by our Group).

Pursuant to the Engagement Agreement, WAG will perform the role as compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure our Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

Reasons for and benefits for the transaction

The reasons for the transactions carried out between us and WAG are: (i) pursuant to Rule 3A.19 of the Listing Rules, our Company must appoint a compliance adviser for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date; (ii) WAG is a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity and has the expertise and experience in performing the role as a compliance adviser for listed companies, and (iii) WAG has gone through the tender process.

Historical transaction amounts

The compliance adviser service under the Engagement Agreement will commence upon the Listing Date of our Company. Prior to the Listing, we did not engage any compliance advisers and did not incur any fees payable to WAG as compliance adviser.

Annual fees

Our Directors estimated that the maximum annual fees (exclusive of disbursements) payable by our Group to WAG under the Engagement Agreement for each of the three years ending 31 March 2020, 31 March 2021 and 31 March 2022 will not exceed, in aggregate, HK$420,000, HK$840,000 and HK$420,000, respectively.

Listing Rules implications

Since each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules with reference to the annual caps of the transaction under the Engagement Agreement is more than 0.1% but less than 5% and the aggregate annual consideration is less than HK$3 million, the transaction under the Engagement Agreement is considered to be de minimis transaction under Rule 14.76 of the Listing Rules and will be fully exempted from the announcement, reporting, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

Our Board consists of two executive Directors, seven non-executive Directors and five independent non-executive Directors. It is responsible for and has general powers on the management and conduct of our business.

The day-to-day operations of our Group are supervised and carried out by our executive Directors with the assistance of our senior management.

The following table sets out the information in respect of our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities
Executive Directors					
Cheung, Kam Chiu (張錦釗)	64	Executive Director and Co-CEO	1 September 1979	9 July 2018	Overall day-to-day management, strategic planning and business development
Szeto, Wing Tak (司徒榮德)	63	Executive Director and Co-CEO	1 September 1979	9 July 2018	Overall day-to-day management, strategic planning and business development
Non-executive Directors					
Xu, Jili (許繼莉)	48	Non-executive Director and Chairman	18 April 2017	9 July 2018	Supervision of the overall management, and strategy planning of our Group
Li, Yanmei (李妍梅)	48	Non-executive Director	25 September 2015	9 July 2018	Supervision of the overall management and strategy planning of our Group
Xie, Hui (謝輝)	38	Non-executive Director	25 September 2015	9 July 2018	Supervision of the overall management and strategy planning of our Group
Ye, Ning (葉寧)	40	Non-executive Director	25 September 2015	9 July 2018	Supervision of the overall management and strategy planning of our Group
Lee, Wing Yee Loretta (李詠怡)	44	Non-executive Director	26 March 2018	9 July 2018	Supervision of the overall management and strategy planning of our Group
Wong, Ling Fong Lisa (王玲芳)	46	Non-executive Director	26 March 2018	9 July 2018	Supervision of the overall management and strategy planning of our Group
Zhou, Wenjie (周文杰)	39	Non-executive Director	7 May 2018	9 July 2018	Supervision of the overall management and strategy planning of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Main roles and responsibilities
Independent non-executive Directors					
Fan, Chiu Tat Martin (范招達)	52	Independent non-executive Director	3 September 2019	3 September 2019	Providing independent advice to our Group; chairman of the audit committee
Guan, Yuyan (官玉燕)	44	Independent non-executive Director	3 September 2019	3 September 2019	Providing independent advice to our Group; member of the nomination committee and the remuneration committee
Hong Kam Le (康錦里)	40	Independent non-executive Director	3 September 2019	3 September 2019	Providing independent advice to our Group; member of the nomination committee
Leung, Siu Hong (梁兆康)	44	Independent non-executive Director	3 September 2019	3 September 2019	Providing independent advice to our Group; chairman of the remuneration committee and member of the audit committee
Ru, Tingting (汝婷婷)	44	Independent non-executive Director	3 September 2019	3 September 2019	Providing independent advice to our Group; chairwoman of the nomination committee and member of the audit committee and the remuneration committee

SENIOR MANAGEMENT

The following table sets out the information in respect of the current members of our senior management (other than our Directors) who are responsible for the operation and management of our Group.

Name	Age	Position	Date of joining our Group	Main roles and responsibilities
Wu Pui Ho (胡沛濠)	30	Assistant to the co-CEOs	1 August 2015	Assisting the co-CEOs on the management of day-to-day operations and execution of the overall business strategies of our Group
Gao Hui (高輝)	49	Chief Financial Officer	16 August 2017	Overseeing financial reporting, financial planning and control, accounting operations, internal control systems, and corporate governance of our Group

Name	Age	Position	Date of joining our Group	Main roles and responsibilities
Shum, Sang Lung Steven (沈新龍)	60	Head of human resources department	16 September 2004	Staff remuneration and welfare management, formulating and implementing human resources policies and systems, and coping with labour-related issues of our Group
Ip, Sai Kit Kevin (葉世傑)	57	Head of quality assurance department and administrative department	19 May 1991	Administrative work for the day-to-day operations, purchasing cleaning supplies, coping with work injury and employee compensation, and arranging for quality certification of our Group
Tsang, Man Wai (曾文慧)	47	Head of government sector (contract team)	16 November 1995	Contract management, marketing, tender assessment and cost management, and project supervision

DIRECTORS

Executive Directors

Mr. Cheung, Kam Chiu (張錦釗) ("**Mr. Cheung**"), aged 64, is our Co-CEO and one of the founders of our Group and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director of our Company on 24 January 2019. Mr. Cheung has over 39 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Hong Kong since May 1989. He has also been a director of Johnson BVI since its incorporation on 10 August 2018. Mr. Cheung is responsible for the overall day-to-day management, strategic planning and business development of our Group. Mr. Cheung together with Mr. Szeto and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company throughout the Track Record Period. As co-CEO of our Group, Mr. Cheung was responsible for reporting to the Board from time to time the business operations, financial performance and business plan of the Company. Mr. Cheung was also responsible for supervising the day-to-day operations delegated to the senior management such as contract biding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

Mr. Cheung was a director of the following companies incorporated in Hong Kong, which were deregistered or struck off with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Johnson (Holdings) Company Limited (莊臣(集團)有限公司)	Investment holding company	28 February 2003	Deregistration[(1)]
Johnson China Investment Limited (莊臣中國投資有限公司)	Provision of cleaning services	14 December 2001	Deregistration[(1)]
Johnson Landscaping Company Limited (莊臣園藝有限公司)	Provision of horticultural services	20 December 2002	Striking Off[(2)]
Johnson Maintenance Services Limited (莊臣保養服務有限公司)	Property management	9 June 2017	Deregistration[(3)]
Johnson Property Management (International) Limited (莊臣物業管理(國際)有限公司)	Property management	20 June 2003	Striking Off[(2)]
Rich Base (Asia) Limited (裕港(亞洲)有限公司)	Trading business	23 August 2002	Deregistration[(1)]
Rich Sea (Asia) Limited (富洋(亞洲)有限公司)	Trading business	24 November 2000	Deregistration[(1)]
Sino Wealthy Engineering Limited (裕華工程有限公司)	Vehicle fleet management	20 April 2018	Deregistration[(3)]
Wah Shun Trading Development Limited (華信發展有限公司)	Trading business	25 May 2001	Deregistration[(1)]

Mr. Cheung confirmed that (i) the above companies were solvent immediately prior to dissolution, (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of these companies, and (iii) there was no wrongful act on his part leading to the dissolution of the companies for which he acted as director.

Mr. Szeto, Wing Tak (司徒榮德) ("**Mr. Szeto**"), aged 63, is our Co-CEO and one of the founders of our Group and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director of our Company on 24 January 2019. Mr. Szeto has over 39 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Hong Kong since May 1989. He has also been a director of Johnson BVI since its incorporation on 10 August 2018. Mr. Szeto is responsible for the overall day-to-day management, strategic planning and business development of our Group. Mr. Szeto together with Mr. Cheung and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company throughout the Track Record Period. As co-CEO of our Group, Mr. Szeto was responsible for reporting to the Board from time to time the business operations, financial performance and business plan of the Company. Mr. Szeto was also responsible for supervising the day-to-day operations delegated to the senior management such as contract biding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

Mr. Szeto was a director of the following companies incorporated in Hong Kong, which were deregistered or struck off with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Johnson (Holdings) Company Limited (莊臣(集團)有限公司)	Investment holding company	28 February 2003	Deregistration(1)
Johnson China Investment Limited (莊臣中國投資有限公司)	Provision of cleaning services	14 December 2001	Deregistration(1)
Johnson Landscaping Company Limited (莊臣園藝有限公司)	Provision of horticultural services	20 December 2002	Striking Off(2)
Johnson Maintenance Services Limited (莊臣保養服務有限公司)	Property management	9 June 2017	Deregistration(3)
Johnson Property Management (International) Limited (莊臣物業管理(國際)有限公司)	Property management	20 June 2003	Striking Off(2)
Rich Base (Asia) Limited (裕港(亞洲)有限公司)	Trading business	23 August 2002	Deregistration(1)
Rich Sea (Asia) Limited (富洋(亞洲)有限公司)	Trading business	24 November 2000	Deregistration(1)
Sino Wealthy Engineering Limited (裕華工程有限公司)	Vehicle fleet management	20 April 2018	Deregistration(3)
Wah Shun Trading Development Limited (華信發展有限公司)	Trading business	25 May 2001	Deregistration(1)

Mr. Szeto confirmed that (i) the above companies were solvent immediately prior to dissolution, (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of these companies, and (iii) there was no wrongful act on his part leading to the dissolution of the companies for which he acted as director.

Non-executive Directors

Ms. Xu, Jili (許繼莉) ("**Ms. Xu**"), aged 48, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director and the Chairman of our Company on 24 January 2019. Ms. Xu has been a director of Johnson Hong Kong since 18 April 2017 and a director of Johnson BVI since its incorporation on 10 August 2018.

Ms. Xu has over 12 years of experience in business management. Ms. Xu has been a chief financing officer of Zhuhai Huafa since March 2018, a general manager and director of Zhuhai Huafa Multi-Business Development Co., Ltd. (珠海華發綜合發展有限公司) since September 2016, a director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325), since March 2016, a director and deputy general manager of Zhuhai Financial Investment Holdings Group Company Limited (珠海金融投資控股集團有限公司) since April 2015 and January 2017 respectively, and the chairman of the board of Zhuhai Huafa Trade Holdings Limited (珠海華發商貿控股有限公司) and of Zhuhai Huafa Group Finance Co., Ltd. (珠海華發集團財務有限公司) since March 2015. She was the vice president of the Industrial Bank Co., Ltd., Zhuhai branch from May 2011 to April 2013 where she was mainly responsible for overseeing financial markets and risk management. Prior to that, Ms. Xu was the vice president of Agricultural Bank of China, Zhuhai branch from May 2006 to April 2011, where she was mainly responsible for business management, credit risk management and asset disposal.

Ms. Xu obtained a bachelor of economics from Nankai University in the PRC in July 1993. She also obtained a master's degree in management from the South China Agricultural University in the PRC in June 2006.

Ms. Xu was the chairman and the legal representative of the following company established in the PRC which was liquidated and cancelled with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Zhuhai Huafa Zhonglian Construction Machinery and Equipment Leasing Co. Ltd (珠海華發中聯工程機械設備租賃有限公司)	Never commenced business	6 September 2018	Liquidation and cancellation(4)

Ms. Xu confirmed that (i) the above company was solvent immediately prior to dissolution, (ii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of the dissolution of this company, and (iii) there was no wrongful act on her part leading to the dissolution of the company for which she acted as chairwoman and legal representative.

Ms. Li, Yanmei (李妍梅) ("**Ms. Li**"), aged 48, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director of our Company on 24 January 2019. Ms. Li has been a director of Johnson Hong Kong since 25 September 2015 and a director of Johnson BVI 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, a wholly-owned subsidiary of Zhuhai Huafa, since September 2014, where she was responsible for overall management and day-to-day operations. Ms. Li also worked for HJ Capital (International) 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 People's Republic of China for her professional qualification of intermediate level in economics of insurance.

Mr. Xie, Hui (謝輝) ("**Mr. Xie**"), aged 38, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director of our Company on 24 January 2019. Mr. Xie has been a director of Johnson Hong Kong since 25 September 2015, and a director of Johnson BVI since its incorporation on 10 August 2018.

Mr. Xie has been the strategy director of Zhuhai Financial Investment Holdings Group Company Limited (珠海金融投資控股集團有限公司) since July 2017, where he is responsible for strategic planning. Since July 2017, he has served as the board secretary of Zhuhai Huafa and served as a director of Zhuhai Property Exchange Centre Company Limited (珠海產權交易中心有限責任公司) from September 2016 to May 2018, where he was responsible for executing and authorizing the execution of contracts and other material documents of behalf of the company. From July 2015 to July 2017, he served as the board secretary of Zhuhai Financial Investment Holdings Group Company Limited (珠海金融投資控股集團有限公司). From August 2012 to May 2018, he served as the general manager of the strategic innovation department of Zhuhai Financial Investment Holdings Group Company Limited. From April 2010 to August 2012, Mr. Xie served as project manager in the development planning department of Zhuhai Kyushu Travel Group Company Limited (珠海九洲旅遊集團有限公司), where he was mainly responsible for industry research and investment project analysis.

Mr. Xie graduated from the University of Science and Technology of China in the PRC with a bachelor 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.

Mr. Ye, Ning (葉寧) ("**Mr. Ye**"), aged 40, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director of our Company on 24 January 2019. Mr. Ye has been a director of Johnson Hong Kong since 25 September 2015, and a director of Johnson BVI since its incorporation on 10 August 2018.

He has served as a director of Zhuhai Huajin Innovative Investment Co., Ltd. (珠海華金創新投資有限公司) since February 2016, the chairman of the board of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司) since February 2016, and an assistant to the general manager of Zhuhai Financial Investment Holdings Group Company Limited (珠海金融投資控股集團有限公司) since October 2012. From February 2016 to January 2018, Mr. Ye was the general manager of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司). From August 2015 to December 2017, Mr. Ye was appointed as a director of Zhuhai Huajin Capital Co. Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532). Mr. Ye served in Industrial and Commercial Bank of China, Zhuhai branch as a deputy general manager of the business operation department from July

2007 to October 2010, where he was responsible for marketing the corporate finance business, client management and service management, developing the corporate syndicated loan, trustee and other businesses, and providing one-stop service and solutions to clients.

Mr. Ye graduated from Heilongjiang University in the PRC with a bachelor of economics in July 2002. He also obtained the qualification in dealings of securities and investment funds from the China Securities Investment Fund Industry Association in August 2018.

Mr. Ye was a director, manager and legal representative of the following company established in the PRC which was liquidated and deregistered with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Zhuhai Yunjin Fortune Fund Management Co Ltd (珠海雲金財富基金管理有限公司).	Never commenced business	2 December 2015	Liquidation and cancellation(4)

Mr. Ye confirmed that (i) the above company was solvent immediately prior to dissolution, (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of this company, and (iii) there was no wrongful act on his part leading to the dissolution of the company for which he acted as a director, manager and legal representative.

Ms. Lee, Wing Yee Loretta (李詠怡) ("**Ms. Lee**"), aged 44, was appointed as a Director on 9 July 2018 and was re-designated as a non-executive Director on 24 January 2019. Ms. Lee has been a director of Johnson Hong Kong since 26 March 2018 and a director of Johnson BVI since its incorporation on 10 August 2018.

Ms. Lee has served as a director of Canvest Environmental since 28 January 2014 and was re-designated as an executive director and chairlady of the board on 24 September 2014. She is mainly responsible for formulating overall strategies and making major corporate and operational decisions of the group companies of Canvest Environmental. Ms. Lee also served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司)) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. Dongguan Sanyang Industrial Development Co., Ltd is principally engaged in the trading of heavy oil.

Ms. Lee obtained a higher diploma in public administration and management from the City University of Hong Kong in November 1997.

Ms. Lee was a director of the following company incorporated in Hong Kong, which was deregistered with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Max Profit Creation Limited (溢利創建有限公司)	Property holding	12 February 2016	Deregistration [(3)]

Ms. Lee confirmed that (i) the above company was solvent immediately prior to dissolution, (ii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of the dissolution of this company, and (iii) there was no wrongful act on her part leading to the dissolution of the company for which she acted as director.

Ms. Wong, Ling Fong Lisa (王玲芳) ("**Ms. Wong**"), aged 46, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director of our Company on 24 January 2019. Ms. Wong has been a director of Johnson Hong Kong since 26 March 2018 and a director of Johnson BVI since its incorporation on 10 August 2018.

Ms. Wong joined Canvest Environmental on 10 June 2013 as the chief financial officer, and has served as its company secretary since 24 September 2014. She is primarily responsible for the financial management of the group. Ms. Wong was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012, with her last position being chief operation officer in the investment department. She was the financial controller responsible for financial planning and daily management of accounts department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. Prior to that, she worked at KPMG from September 1998 to January 2004 and her last position held was manager.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She obtained a bachelor of arts in accountancy from the Hong Kong Polytechnic University in November 1998.

Ms. Wong was a director of the following company incorporated in Hong Kong, which were deregistered or struck off (but not due to member's voluntary winding-up) with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Ka Hung Enterprise Development Company Limited (嘉鴻企業發展有限公司)	Trading	27 March 2015	Deregistration[(3)]

Ms. Wong confirmed that (i) the above company was solvent immediately prior to dissolution, (ii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of the dissolution of this company, and (iii) there was no wrongful act on her part leading to the dissolution of the company for which she acted as director.

Mr. Zhou, Wenjie (周文杰) ("**Mr. Zhou**"), aged 39, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director of our Company on 24 January 2019. Mr. Zhou has been a director of Johnson Hong Kong since 7 May 2018. Mr. Zhou has also been a director of Johnson BVI since its incorporation on 10 August 2018.

Mr. Zhou joined Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (粵豐粵展環保投資(廣東)有限公司) (formerly known as Yuezhan Environmental Investment (Guangdong) Company Limited (粵展環保投資(廣東)有限公司)), an investment holding company and an indirect wholly-owned subsidiary of Canvest Environmental, as deputy general manager in April 2018, where he is 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., (東莞市水務投資集團有限公司), 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.

Independent non-executive Directors

Mr. Fan, Chiu Tat Martin (范招達) ("**Mr. Fan**"), aged 52, was appointed as an independent non-executive Director of our Company on 3 September 2019, mainly responsible for providing independent advice to our Group. He is also the chairman of the audit committee.

Mr. Fan joined Luks Group (Vietnam Holdings) Co. Ltd. (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.

Mr. Fan was a director of the following companies incorporated in Hong Kong, which were deregistered with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
Sun Vast Development Limited (浩溢發展有限公司)	Electronics manufacturing	12 March 2004	Deregistration [1]
Prime Wise Investments Limited (迦溢投資有限公司)	Property holding	21 October 2016	Deregistration [3]
Redmond Investments Limited (晉特投資有限公司)	Property holding	21 October 2016	Deregistration [3]
Teamlink Holdings Limited (達聯集團有限公司)	No business	17 February 2017	Deregistration [3]

Mr. Fan confirmed that (i) the above companies were solvent immediately prior to dissolution, (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of these companies, and (iii) there was no wrongful act on his part leading to the dissolution of the companies for which he acted as director.

Dr. Guan, Yuyan (官玉燕) ("**Dr. Guan**"), aged 44, was appointed as an independent non-executive Director of our Company on 3 September 2019, mainly responsible for providing independent advice to our Group. She is also a member of the nomination committee and the remuneration committee.

Dr. Guan joined the City University of Hong Kong as an academic visitor in August 2006. She was then promoted to an assistant professor in October 2006, and has served as associate professor since July 2015.

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.

Mr. Hong Kam Le (康錦里) ("**Mr. Hong**"), aged 40, was appointed as an independent non-executive Director of our Company on 3 September 2019, mainly responsible for providing independent advice to our Group. He is also as member of the nomination committee.

Mr. Hong was admitted as a solicitor in Hong Kong in September 2007, and has more than 10 years' experience in the legal industry. Mr. Hong is a partner of Chungs Lawyers since November 2018. He previously served as an associate of Li & Partners from June 2010 to February 2016 and as a partner of the same firm from February 2016 to October 2018.

Mr. Hong obtained a bachelor of commerce and a bachelor of 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.

Mr. Hong has served as the company secretary and authorised representative of Shengli Oil & Gas Pipe Holdings Limited (stock code: 1080) since December 2013, and as one of the joint company secretaries of Jujiang Construction Group Co., Ltd. (stock code: 1459) since September 2015.

Mr. Leung, Siu Hong (梁兆康) ("**Mr. Leung**"), aged 44, was appointed as an independent non-executive Director of our Company on 3 September 2019, mainly responsible for providing independent advice to our Group. He is also the chairman of the remuneration committee and a member of the audit committee.

Mr. Leung has over 20 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 (stock code: 3838) since February 2008. From March 2006 to January 2008, Mr. Leung worked as the financial controller, company secretary and qualified accountant of Ta Yang Group Holdings Limited (stock code: 1991). From September 2004 to January 2006, he worked for Master Bridge Enterprises Limited as the Chief Accountant. From June 2002 to July 2004, Mr. Leung was the associate director of BMI Consultants Limited. From December 2000 to June 2002, Mr. Leung worked for PricewaterhouseCoopers as a senior associate. From February 1999 to September 2000 he worked for Dennis Wong & Co. as a staff accountant. Mr. Leung worked for Deloitte Touche Tohmatsu from November 1997 to June 1998 as a staff accountant.

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 Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since July 2013.

Mr. Leung's directorships in other listed companies in the three years prior to the Latest Practicable Date is set out below:

Name of Company	Place of listing and stock code	Principal business activities	Period of appointment	Position
A. Plus Group Holdings Limited (優越集團控股有限公司)	Hong Kong Stock Exchange (Stock Code: 1841)	Provide typesetting, design, translation, printing and delivery services in relation to financial reports, announcements, shareholder circulars, debt offering circulars, IPO prospectuses and fund documents	23 March 2016 to present	Independent non-executive director
China Partytime Culture Holdings Limited (中國派對文化控股有限公司)	Hong Kong Stock Exchange (Stock Code: 1532)	Design, develop, produce, sell and market cosplay products and non-cosplay apparels	7 August 2015 to 14 June 2019	Independent non-executive director
Legend Strategy International Holdings Group Company Limited (朸濬國際集團控股有限公司)	Hong Kong Stock Exchange (Stock Code: 1355)	Operation of budget hip hotels and provision of hotel consultancy and management services in the PRC	25 June 2015 to 9 March 2017	Independent non-executive director
Sanroc International Holdings Limited (兆邦基地產控股有限公司)	Hong Kong Stock Exchange (Stock Code: 1660)	Provide construction machinery trading and leasing services in Hong Kong	20 January 2017 to 11 April 2018	Independent non-executive director
Sun Car Insurance Agency Co., Ltd. (盛世大聯保險代理股份有限公司)	National Equities Exchange and Quotations (Stock Code: 831566)	Provide automobile insurance and B2B integrated automobile after-sales service in China	25 October 2018 to present	Independent non-executive director

Mr. Leung was a director of the following company incorporated Hong Kong, which was deregistered with details as follows:

Name of Company	Principal business activity immediately before dissolution	Date of dissolution	Details
United Goal Limited (合志有限公司)	Never commenced business	25 January 2008	Deregistration[(1)]

Mr. Leung confirmed that (i) the above company was solvent immediately prior to dissolution, (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the dissolution of this company, and (iii) there was no wrongful act on his part leading to the dissolution of the company for which he acted as director.

Ms. Ru, Tingting (汝婷婷) ("**Ms. Ru**"), aged 44, was appointed as an independent non-executive Director of our Company on 3 September 2019, mainly responsible for providing independent advice to our Group. She is the chairwoman of the nomination committee and is also a member of the audit committee and the remuneration committee.

From February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director 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.

Notes:

(1) Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

(2) Under section 291 of the Predecessor Companies Ordinance, striking off refers to striking off the name of a company from the register of companies by the Registrar of Companies in Hong Kong where the Registrar of Companies in Hong Kong has reasonable cause to believe that a company is not carrying on business or in operation.

(3) Under section 751 of the Companies Ordinance, deregistration refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Registrar of Companies in Hong Kong of Hong Kong for deregistration. Such application can only be made if (a) all members of the company agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

(4) In accordance with Article 188 of the Company Law of the People's Republic of China (中華人民共和國公司法), upon completion of the liquidation of a company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' meeting. The report shall be confirmed by the shareholders' general meeting or the people's court, before being delivered to company registration authorities to apply for canceling the company's registration and announce its dissolution.

General

Save as disclosed above, none of our Directors:

(i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and

(iii) held any other directorships in listed public companies of which the securities are listed on any securities market in Hong Kong and/or overseas in the three years prior to the Latest Practicable Date.

(iv) has any interest in the Shares within the meaning of Part XV of the SFO except as disclosed in the paragraph headed "Statutory and General Information — Further Information about our Directors and Shareholders — Interests and/or short positions of our Directors in the Shares, underlying Shares as debentures of our Company or any association corporation" in Appendix IV to this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Wu, Pui Ho (胡沛濠) ("**Mr. Wu**"), aged 30, was appointed as the assistant to the co-CEOs of our Group in August 2017. He is mainly responsible for assisting the co-CEOs on the management of day-to-day operations and execution of the overall business strategies of our Group. Mr. Wu joined our Group on 1 August 2015, and was the financial controller of Johnson Hong Kong until August 2017, where he was mainly responsible for financial planning and control, accounting operations and internal control systems. He then became an assistant to the co-CEOs of Johnson Hong Kong since August 2017. From February 2017 to May 2017, Mr. Wu served as an independent non-executive director of Anxin-China Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1149) which was subsequently delisted in December 2018. Prior to joining our Group, he worked in several accounting firms for over 3 years.

Mr. Wu obtained his bachelor of commerce from the University of South Australia in Australia in December 2011. Mr. Wu has been a member of the Hong Kong Institute of Certified Public Accountants since January 2016.

Ms. Gao, Hui (高輝) (**"Ms. Gao"**), aged 49, was appointed as the chief financial officer of our Group on August 2017. She is mainly responsible for financial reporting, financial planning and control, accounting operations, internal control systems, and the corporate governance of our Group. Ms. Gao has been a financial manager of Hong Kong Huafa Investment Holdings Limited, a wholly-owned subsidiary of Zhuhai Huafa prior to joining our Group.

She worked as a director in the internal audit department of Glorious Sun Enterprises Limited, a company listed on the main board of Stock Exchange (stock code: 393), which is principally engaged in retailing, export and production of casual wear, financial investments and interior decoration and renovation, from August 2008 to April 2011. Ms. Gao also worked in IKEA Components (Shenzhen) Co., Ltd., a furniture manufacturing company as a finance manager from January 2006 to August 2007, where she was responsible for finance, tax and legal matters, and building contacts and relations with external parties. From May 2002 to May 2003, she served as a financial controller of Shenzhen Genius Information Technology Limited indirectly controlled by First Shanghai Investments Limited, a company listed on the Main Board of the Stock Exchange (stock code: 227), where she was mainly responsible for the company's accounting, capital operations, human resources, administration, legal affairs and internal audit functions. Ms. Gao was also a group finance manager in Shenzhen Wongtee International Enterprise Co., Ltd. (formerly known as Shenzhen International Enterprise Co., Ltd.) from July 1996 to February 2002.

Ms. Gao graduated from Nanhua University in the PRC with a bachelor of economics in June 1991. She also obtained a master of business administration from the University of Wales Institute, Cardiff in Wales, the United Kingdom in July 2006. Ms. Gao was certified as a certified public accountant in the PRC in May 1997. She was then qualified as a certified internal auditor in May 2000 and a senior certified public accountant in December 2001.

Mr. Shum, Sang Lung Steven (沈新龍) (**"Mr. Shum"**), aged 60, was appointed as the head of human resources department of our Group in April 2008. He is mainly responsible for staff remuneration and welfare management, formulating and implementing human resources policies and systems, and coping with labour-related issues of our Group. Mr. Shum joined our Group on 16 September 2004 as a manager of Johnson Hong Kong, mainly responsible for management and the day-to-day operations of Johnson Hong Kong. Prior to joining our Group, Mr. Shum worked as a vice president in the Foreigner Business Department of China Travel Service (Hong Kong) Limited for approximately 18 years, mainly responsible for liaising with customers and local tour reception agents, participating in overseas exhibitions and conferences, and staff recruitment.

Mr. Shum completed his secondary school education in Hong Kong. He was awarded a certificate for the completion of a certification course in labour legislation and practical employment by The Chinese Manufacturers' Association of Hong Kong in September 2012.

Mr. Ip, Sai Kit Kevin (葉世傑) (**"Mr. Ip"**), aged 57, was appointed as the head of quality assurance department and administrative department of our Group in April 1997. He is mainly responsible for administration for the day-to-day operations, purchasing cleaning supplies, coping with work injury and employee compensation, responding to media enquiries and arranging for quality certification of our Group. Mr. Ip joined our Group on 19 May 1991 as a manager of Johnson Hong Kong, mainly responsible for management and the day-to-day operations of Johnson Hong Kong.

Mr. Ip was awarded a certificate in specialisation in technical subjects instruction for the handicapped issued by the Hong Kong Technical Teacher's College of the Hong Kong Education Department in July 1986, and a certificate in carpentry, joinery and cabinetmaking issued by the Vocational Training Council in June 1989. Mr. Ip was also awarded a certificate in cleaning service practices and management in April 2004 by the Hong Kong Management Association, and a certificate for the completion of a certification course in labour legislation and practical employment by The Chinese Manufacturers' Association of Hong Kong in September 2012.

Ms. Tsang, Man Wai (曾文慧) (**"Ms. Tsang"**), aged 47, was appointed as the head of government sector (contract team) of our Group in April 2002. She is mainly responsible for contract management, marketing, tender assessment and cost management, and project supervision. Ms. Tsang joined our Group on 16 November 1995 as a manager of Johnson Hong Kong, mainly responsible for management and the day-to-day operation of Johnson Hong Kong.

Ms. Tsang obtained a bachelor of arts in translation and interpretation from the City University of Hong Kong in November 1995. Ms. Tsang was also awarded a certificate in cleaning service practices and management in April 2004 by the Hong Kong Management Association, and a certificate for the completion of a professional course in waste and environmental management by the Community College of the City University of Hong Kong in March 2008.

Save as disclosed above, none of the members of our senior management:

(i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARY

Mr. Li, Zhuang (李壯) (**"Mr. Li"**), aged 40, was appointed as the joint company secretary of our Company on 3 September 2019. He is responsible for the company secretarial matters of our Group. Mr. Li has been the company secretary of Johnson Hong Kong since June 2016, mainly responsible for general company secretarial affairs.

Mr. Li has served as a deputy general manager of the capital operations division of Zhuhai Huafa since April 2018 and 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. Mr. Li has also served as a deputy general manager of the capital markets division of Zhuhai Financial Investment Holdings Group Co. Ltd. since November 2015. Mr. Li worked as a director in the capital operation department of Guangdong Guangxin Holdings Group Co., Ltd. (廣東省廣新控股集團有限公司), a provincial state-owned enterprise principally engaged in alternative energy, high-end equipment manufacturing, e-commerce, modern logistics and ferrous metal smelting and processing, from November 2010 to October 2015, where he was responsible for the company's capital operations and investment and mergers and acquisitions. Mr. Li also worked as a deputy manager from March 2008 to November 2010 in the investment management division of GRG Banking (廣州廣電運通金融電子股份有限公司), a company listed on the Shenzhen Stock Exchange (002152.SZ) principally engaged in financial self-service products, solution and service area, where he was responsible for the company's investment and mergers and acquisitions.

Mr. Li obtained a bachelor of economics from Zhongnan University of Economics and Law in the PRC in June 2001. He also obtained a master in business administration from Sun Yat-sen University in the PRC in June 2009.

During the three years immediately preceding the date of this prospectus, Mr. Li has not been a director of a public company, the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Lee, Mei Yi (李美儀) ("Ms. Lee"), aged 51, was appointed as the joint company secretary of our Company on 3 September 2019 where she is responsible for company secretarial matters of the Company.

Ms. Lee has over 25 years of experience in the corporate secretarial and compliance services field. She is an executive director of corporate services of Tricor Services Limited ("**Tricor**"), a global professional service provider. Ms. Lee currently serves as company secretary, joint company secretary or assistant to the company secretary for a number of Hong Kong listed companies.

Ms. Lee is a Chartered Secretary and a Fellow of both HKICS and The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS.

REMUNERATION POLICY

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the three years ended 31 March 2017, 31 March 2018 and 31 March 2019 were approximately HK$4.8 million, HK$14.1 million and HK$12.2 million respectively. Details of the arrangement for remuneration are set out in note 15 to the Accountant's Report set out in Appendix I to this prospectus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the three years ended 31 March 2017, 31 March 2018 and 31 March 2019 were approximately HK$7.5 million, HK$16.6 million and HK$14.8 million respectively.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the paragraph headed "Statutory and General Information — Further Information about Our Directors and Shareholders — 3. Particulars of Directors' service contracts" in Appendix IV to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 31 March 2020 is estimated to be approximately HK$7.36 million.

Our Group's principal policies concerning remuneration of Directors or staff of high calibre are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company regularly provides discretionary bonuses to our senior management and key employees as incentive.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

BOARD COMMITTEES

The audit committee, the remuneration committee and the nomination committee of our Company were approved to be established by resolutions passed by the Board on 3 September 2019.

Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

Audit Committee

Our Company established an audit committee on 3 September 2019 by a resolution of the Board passed on 3 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the ‘‘**CG Code**’’) as set out in Appendix 14 to the Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Fan, Ms. Ru and Mr. Leung. Mr. Fan was appointed to serve as the chairman of the audit committee. The primary duties of our audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration Committee

Our Company established a remuneration committee on 3 September 2019 by a resolution of the Board passed on 3 September 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The remuneration committee comprises three independent non-executive Directors, namely Mr. Leung, Dr. Guan and Ms. Ru. Mr. Leung was appointed as the chairman of the remuneration committee. The primary functions of our remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determines their own remuneration.

Nomination Committee

Our Company established a nomination committee on 3 September 2019 by a resolution of the Board passed on 3 September 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code. The nomination committee comprises three independent non-executive Directors, namely Ms. Ru, Dr. Guan and Mr. Hong. Ms. Ru was appointed as the chairwoman of the nomination committee. Our nomination committee has written terms of reference in compliance with the CG Code. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Co-CEOs and our chairman.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of good corporate governance in management and internal procedures, so as to achieve effective accountability. Our Company will comply with the CG Code and the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the ''comply or explain'' principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to talent, skills, professional experience, independence and knowledge. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

COMPLIANCE ADVISER

We appointed WAG Worldsec Corporate Finance Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. Our compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. As at the Latest Practicable Date, WAG Worldsec Corporate Finance Limited is an associate of a connected person of our Company under Rule 14A.13(3). For details, please refer to the section headed "Continuing Connected Transaction" in this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering, other than a Director or chief executive of our Company, the following persons will have an interest or short position in our Shares or underlying Shares which will be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/ Nature of interest	As at the date of this prospectus		Immediately upon the completion of the Global Offering	
		Number of Shares held (Note 1)	Percentage of shareholding in our Company	Number of Shares held (Note 1)	Percentage of shareholding in our Company
Hong Kong Huafa	Beneficial interest and interest in controlled corporation	221,250,000 (L) (Note 2)	59%	221,250,000 (L)	44.25%
Zhuhai Huafa	Interest in controlled corporation	221,250,000 (L) (Note 2)	59%	221,250,000 (L) (Note 2)	44.25%
Canvest (China)	Beneficial interest	153,750,000 (L) (Note 3)	41%	153,750,000 (L)	30.75%
Yi Feng	Interest in controlled corporation	153,750,000 (L) (Note 3)	41%	153,750,000 (L) (Note 3)	30.75%
Canvest Environmental	Interest in controlled corporation	153,750,000 (L) (Note 4)	41%	153,750,000 (L) (Note 4)	30.75%
Best Approach Developments Limited	Interest in controlled corporation	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%
Century Rise Development Limited	Interest in controlled corporation	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%
Harvest Vista Company Limited	Interest in controlled corporation	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%
Lai Kin Man	Interest in controlled corporation	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%
Lee Wing Yee Loretta	Interest in controlled corporation	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%
HSBC International Trustee Limited	Trustee	153,750,000 (L) (Note 5)	41%	153,750,000 (L) (Note 5)	30.75%

Notes:

(1) the letter "L" denotes the entity/person's long position in the Shares.

(2) 210,000,000 Shares are registered in the name of Hong Kong Huafa and 11,250,000 Shares are registered in the name of HJ Capital (International). Since HJ Capital (International) is owned as to 36.88% by Hong Kong Huafa through Huajin Investment, Hong Kong Huafa is deemed to be interested in 11,250,000 Shares held by HJ Capital (International) under the SFO. Since the entire share capital of Hong Kong Huafa is wholly owned by Zhuhai Huafa, under the SFO, Zhuhai Huafa is deemed to be interested in all the Shares held by Hong Kong Huafa and HJ Capital (International). Zhuhai Huafa is a PRC state-owned conglomerate based in Zhuhai, PRC.

(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 54.73% by Best Approach Developments Limited (which is in turn directly held as to 55% by Harvest Vista Company Limited and indirectly held as to 45% by Harvest Vista Company Limited through Century Rise Development Limited. The entire issued share capital of Harvest Vista Company Limited 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. 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 of our Company. Under the SFO, Best Approach Developments Limited, Harvest Vista Company Limited, Century Rise Development Limited, Ms. Lee, Wing Yee Loretta, Mr. Lai, Kin Man and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

Save as disclosed in the prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

As of the Latest Practicable Date, our Directors were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering:

		Nominal value (HK$)
Authorised share capital as of the date of this prospectus:		
3,000,000,000	Shares (HK$0.01 each)	30,000,000
Shares in issue or to be issued, fully paid or credited as fully paid:		
375,000,000	Shares in issue as of the date of this prospectus (HK$0.01 each)	3,750,000
125,000,000	Shares to be issued under the Global Offering (HK$0.01 each)	1,250,000
500,000,000	Shares in total	5,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional. It takes no account of any Shares which may be issued or bought back by our Company pursuant to the general mandate given to the Directors to allot and issue or buy back Shares as described below.

RANKING

The Offer Shares will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Global Offering; and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to the Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this issuing mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under the issuing mandate will not be reduced by the allotment and issue of such Shares.

This issuing mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this issuing mandate, please see the section "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Global Offering.

This repurchase mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section "Statutory and General Information — Further information about our Group — 6. Repurchase of Securities by our Company" in Appendix IV.

This repurchase mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further information about this repurchase mandate, please see the section "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase our capital; (ii) consolidate and divide our Share capital into Shares of larger or smaller amount; (iii) divide our unissued Shares into classes; (iv) subdivide our Shares into Shares of smaller amount than is fixed by Memorandum of Association and the Articles of Association; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to sanction by the courts in the Cayman Islands, reduce our Share capital by shareholders' special resolution.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix III.

You should read the following discussion and analysis in conjunction with our consolidated financial information including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with HKFRSs.

Our historical results do not necessarily indicate our performance for any future periods. The following discussion and analysis of our financial conditions and results of operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those discussed below due to a number of factors, including those set out in the sections headed "Risk factors", "Forward-looking statements", "Business" and elsewhere in this prospectus.

Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

OVERVIEW

We are a leading environmental hygiene service provider providing a range of environmental hygiene service in Hong Kong including provision of building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services. According to the Industry Report, we ranked the first among the environmental hygiene service providers based in Hong Kong in terms of revenue and market share in 2018.

Led by our dedicated management team, we achieved steady growth in revenue and gross profit during the Track Record Period. For each of the years ended 31 March 2017, 2018 and 2019, our revenue amounted to approximately HK$1,204.1 million, HK$1,286.0 million, and HK$1,433.4 million, respectively. Our gross profit amounted to approximately HK$88.7 million, HK$95.6 million and HK$103.5 million in the corresponding years, respectively.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Industry competition

According to the Industry Report, we face competition from a large number of competitors in the environmental hygiene service industry in Hong Kong with more than 1,000 service providers in 2018. Due to the number of competitors, there is high level of competition between environmental hygiene service providers for customers.

Based on the competition in the industry, there is no assurance that our top customers will continue to engage us upon the expiration of the existing contracts between us. During the Track Record Period, we derived a significant percentage of our revenue from our top five customers. For each of the years ended 31 March 2017, 2018 and 2019, our top five customers accounted for approximately 61.8%, 59.2% and 64.0% of our total revenue respectively while our single largest customer accounted for approximately 30.4%, 24.7% and 27.8% of the our total revenue respectively. We cannot assure you that we can maintain the business relationships with our major customers upon expiry of our existing service contracts. If any of them were to substantially reduce the volume and/or value of service procured from us or terminate their contracts with us for any reason, we may not be able to obtain business from other customers in a timely manner to compensate for the loss of revenue on comparable terms or at comparable levels to fully utilise our service capacity. As a result, our financial results and profitability will be adversely affected.

Furthermore, in order to compete effectively, we may need to offer lower prices and/or better terms than our competitors and if we are unable to reduce our costs accordingly, our financial results and profitability will be adversely affected.

We may not meet the requirement of service contracts

We derived all of our revenue from service contracts obtained through tendering processes or quotations submission during the Track Record Period. However, we may not meet the requirement of service contracts set by our customers from time to time. If we are unable to meet the requirement of service contract, we may not be awarded the service contracts by our customers and furthermore, our reputation, financial results and profitability may be adversely affected.

Our customers may renew the service contracts. However, even if we are able to meet the prerequisite requirements, there is no assurance that our customers will renew our service contracts. If we are not able to renew the service contracts, our financial performance and profitability will be adversely affected.

Time lags of cash flow

We generally experienced time lags between making payments to our frontline workers and receiving payments from our customers. We pay salaries to our frontline workers on a monthly basis and generally settle shortly after the end of each month. Therefore, we need to maintain a sufficient level of bank and cash balances at month end for salaries payment shortly after the month end. We issue invoices to our customers typically on a monthly basis in respect of the services provided during the previous month. The credit terms of account receivables generally range from 14 to 90 days. However, there is no assurance that our customers will make payment on time and in full. During the Track Record Period, our account receivables turnover days were approximately 57 days, 60 days and 64 days, respectively, details of which are discussed in the section headed "Financial information — Account receivables — Account receivables turnover days" in this prospectus. If we fail to properly manage the exposure from such cash flow mismatch or if our customers fail to make payment to us on time and in full, our cash flows and financial position could be materially and adversely affected.

At the beginning stage of a project, the operating costs and expenditure for procurement including procurement for vehicles, machineries, equipment and cleaning materials will be incurred. In addition, we need to settle some of our costs, especially the labour costs, procurement costs of equipment and materials, shortly after they are incurred. For example, we need to pay for the labour costs of our frontline staff during the first week of each month. Our labour costs accounted for approximately 85.8%, 86.4% and 86.1% of our total revenue for each of the three years ended 31 March 2019. However, our customers generally do not pay any deposit at the initial stage of the new projects for us to cover the aforesaid expenditures and upfront costs, and we usually issue invoices in respect of the services rendered in the preceding month while collection of payments from customers generally takes time. During the Track Record Period, our account receivables turnover days were approximately 57 days, 60 days and 64 days after the invoices were issued. On this basis, our new projects are generally expected to generate cash inflow after the third or fourth month subsequent to project commencement and the relevant monthly cash inflow generated was generally used to cover the operating expenses of the same project payable in the same month until the end of the contract period, which typically lasts for two to three years. As a result, we generally just experienced the needs to finance the upfront expenditures and operating costs at the early stage of commencement for each new project according to the typical contract terms. After we start to receive the relevant sales receipts, the recurring monthly wages and other operating expenses shall be settled by the sales receipts collected in the same month.

Direct labour costs

Our business operations are labour intensive, we had over 8,000 employees with majority of frontline workers in the operation department as at 31 March 2019. Labour costs may increase due to intense competition in our industry, statutory requirement or other reasons. If we are not able to pass the increased costs to our customers, our profit margin will be hampered.

During the Track Record Period, labour costs contributed to a significant portion of our cost of services. For each of the years ended 31 March 2017, 2018 and 2019, our labour costs amounted to approximately HK$1,033.0 million, HK$1,111.3 million and HK$1,233.5 million, representing approximately 92.6%, 93.3% and 92.8% of our total cost of services during the respective periods and we expect labour costs to continue to represent a significant percentage of our total cost of services.

The hypothetical fluctuation rates for labour costs are set at 4.2% and 11.3%, which correspond to the approximate minimum and maximum percentage changes in the average monthly salary of environmental hygiene service workers in Hong Kong from 2013 to 2018 as stated in the Industry Report and are therefore considered reasonable for the purpose of this sensitivity analysis.

The following illustrates the sensitivity of our profit before tax for the years ended 31 March 2017, 2018 and 2019 in relation to fluctuation in our labour costs of the respective years:

	For the year ended 31 March					
	2017		2018		2019	
Changes in labour costs	Profit/ (loss) before tax	Change in profit before tax	Profit/ (loss) before tax	Change in profit before tax	Profit/ (loss) before tax	Change in profit before tax
	HK$'000	%	HK$'000	%	HK$'000	%
+11.3%	(64,012)	–221	(83,647)	–299	(111,152)	–494
+4.2%	9,333	–82	(4,745)	–111	(23,572)	–183
0%	52,719	–	41,928	–	28,236	–
–4.2%	96,106	+82	88,604	+111	80,044	+183
–11.3%	169,450	+221	167,506	+299	167,624	+494

The level of expenditure in environmental hygiene service by customers in the government and non-government sectors

Our environmental hygiene service business largely depends on the government sector spending as well as spending from the non-government sector on environmental hygiene service. According to the Industry Report, the market drivers include, among others, increasing awareness of public hygiene, rising complexity and requirements for cleaning service and enhanced governance of environmental hygiene (please refer to the section headed "Industry overview — Market drivers" of this prospectus for details). However, if there is any reduction in the expenditures on environmental hygiene services, it will reduce the demand for our services in Hong Kong as well as affect the prices for our services. With a reduction in demand and/or contract sums, our business, financial condition and results of operations and future growth in revenue, gross profit and cash flow may be adversely affected.

SIGNIFICANT ACCOUNTING POLICIES

Our consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Our significant accounting policies are set forth in Note 4 to the Accountants' Report as set out in Appendix I to this prospectus. Set out below are the more important accounting policies.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those services. Specifically, our Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group’s performance as our Group performs;

- our Group’s performance creates and enhances an asset that the customer controls as our Group performs; or

- our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service. The Group recognises revenue under HKFRS 15 from cleaning, janitorial and other related services income. Under the terms of these contracts, the customers of the Group simultaneously receive and consume the benefits provided by the Group’s performance as the Group performs and thus these income are recognised over time.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise 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 services.

Our Group does not expect to have any contract where the period between the transfer of the promised services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

Leases

Our Group as lessee

(i) Operating leases

Leases that do not substantially transfer to our Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to our Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statements of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

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 statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 our 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 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.

Impairment of financial assets

Our Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents, account and other receivables). While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Financial assets measured at fair value, including financial assets at FVTPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that our Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, account and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which our Group is exposed to credit risk.

In measuring ECLs, our Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for account receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, our Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, our Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, our Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. Our 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.

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Our Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

Basis of calculation of interest income

Interest income recognised in accordance with Note 4(m) to the Accountants' Report as set out in Appendix I to this prospectus is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, our Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5 to the Accountants' Report as set out in Appendix I to this prospectus.

We believe that the following critical accounting estimates and assumptions involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Property, plant and equipment and depreciation

Our Group determines the estimated useful lives, residual values and related depreciation charges for our 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. Our 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 amounts of property, plant and equipment as at 31 March 2017, 2018 and 2019 were HK$14.2 million, HK$19.4 million and HK$36.9 million respectively.

Impairment loss for bad and doubtful debts

Our Group recognises lifetime ECLs for account receivables, using a provision matrix based on our 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. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our 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 2017, 2018 and 2019, accumulated impairment loss for bad and doubtful debts amounted to approximately HK$0.5 million, HK$0.6 million and HK$0.4 million respectively.

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.

For the years ended 31 March 2017, 2018 and 2019, income tax of HK$8.4 million, HK$6.0 million and HK$6.4 million was charged to profit or loss based on the estimated profit respectively.

APPLICATION OF HKFRS 9 AND HKFRS 15

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" replaced HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018 and earlier application is permitted. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) ECL for financial assets and contract assets and (iii) general hedge accounting. We have consistently adopted HKFRS 9 in the preparation of the Historical Financial Information throughout the Track Record Period. Based on the assessment by our Directors, the adoption of HKFRS 9 did not have any material impact on our financial position and performance when compared to that of HKAS 39.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 "Revenue from contracts with customers" replaced HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations for annual periods beginning on or after 1 January 2018 and earlier application is permitted. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. We have consistently adopted HKFRS 15 in the preparation of the Historical Financial Information throughout the Track Record Period. Based on the assessment by our Directors, the adoption of HKFRS 15 did not have any material impact on our financial position and performance when compared to that of HKAS 18.

RESULTS OF OPERATIONS

The following table presents the results of operations of our Group during the Track Record Period, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Revenue	1,204,063	1,286,021	1,433,383
Cost of services	(1,115,364)	(1,190,469)	(1,329,857)
Gross profit	88,699	95,552	103,526
Other income	1,049	768	327
Other gains and losses	8,242	7,269	297
Administrative expenses	(38,304)	(54,876)	(69,006)
Profit from operations	59,686	48,713	35,144
Finance costs	(6,967)	(6,785)	(6,908)
Profit before tax	52,719	41,928	28,236
Income tax expense	(8,381)	(5,997)	(6,429)
Profit for the year	44,338	35,931	21,807
Other comprehensive income for the year, net of tax	—	—	—
Total comprehensive income for the year, net of tax	44,338	35,931	21,807
Less:			
Fair value gain on financial assets at FVTPL	(3,617)	(975)	(279)
Gain on disposal of financial assets at FVTPL	—	(5,511)	—
Add:			
Listing expenses	—	—	12,173
Non-HKFRS information			
Adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) [(1)]	40,721	29,445	33,701

Note:

(1) Adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) is calculated by profit for the year excluding the fair value gain on and gain on disposal of financial assets and Listing expenses charged in the relevant year. The terms of adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) is not defined under HKFRS. For details, please refer to the paragraph headed "Financial Information — Selected line items in the consolidated statements of profit or loss and other comprehensive income — Non-HKFRS measures" in this prospectus.

SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was principally generated from provision of a range of environmental hygiene service in Hong Kong. The following table sets out our revenue derived from different types of service during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Building cleaning service	361,443	30.0	414,443	32.2	459,479	32.0
Park and recreation center cleaning service	277,674	23.1	306,006	23.8	339,504	23.7
Street cleaning service	206,503	17.2	214,950	16.7	313,631	21.9
Institutional cleaning service	123,117	10.2	111,079	8.6	104,681	7.3
Other cleaning services	235,326	19.5	239,543	18.7	216,088	15.1
Total	1,204,063	100	1,286,021	100	1,433,383	100

Building cleaning service and park and recreation center cleaning service were our primary service and largest source of our revenue, contributing approximately 53.1%, 56.0% and 55.7% for the years ended 31 March 2017, 2018 and 2019 respectively. All of our revenue has been generated from service contracts and the service period of which is mainly in the range of one to three years. These service contracts bring us stable income stream.

The following table sets out the breakdown of our revenue derived from different customer types during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Government sector customers	719,504	59.8	760,499	59.1	869,223	60.6
Non-government sector customers						
— Commercial	301,161	25.0	346,834	27.0	395,596	27.6
— Institution *(Note)*	123,117	10.2	111,079	8.6	104,681	7.3
— Others	60,281	5.0	67,609	5.3	63,883	4.5
Total	1,204,063	100	1,286,021	100	1,433,383	100

Note: Institutional customers under the non-government sector generally represent universities and other higher education institutions.

Cost of services

During the Track Record Period, our cost of services primarily comprised labour costs. For each of the years ended 31 March 2017, 2018 and 2019, our cost of services amounted to approximately HK$1,115.4 million, HK$1,190.5 million and HK$1,329.9 million, respectively.

The following table sets forth a breakdown of our cost of services during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Labour costs	1,033,018	92.6	1,111,297	93.3	1,233,524	92.8
Cleaning material costs	26,747	2.4	26,917	2.3	31,797	2.4
Motor vehicles expenses	32,792	2.9	27,251	2.3	36,557	2.7
Depreciation	7,353	0.7	6,357	0.5	5,622	0.4
Others	15,454	1.4	18,647	1.6	22,357	1.7
Total	1,115,364	100	1,190,469	100	1,329,857	100

As our business is labour-intensive, labour costs (which mainly included salaries and other labour benefits, contributions to MPF, provisions for employee benefits and cost of human resources suppliers) was the largest component of our cost of services, representing approximately 92.6%, 93.3% and 92.8% of our total cost of services for the years ended 31 March 2017, 2018 and 2019, respectively.

Directly associated with our provision of services, cleaning material costs primarily comprises cost of garbage bags, toiletries, uniforms for our frontline workers and other consumables such as chemicals that we used in providing our services, representing approximately 2.4%, 2.3% and 2.4% of our total cost of services for the years ended 31 March 2017, 2018 and 2019, respectively.

Our fleet comprised more than 100 motor vehicles of various types and functions as at 31 March 2019. We incurred motor vehicle expenses such as regular check-ups, maintenances and cleanings for the motor vehicles we owned and motor vehicles rental expenses during the Track Record Period. Our motor vehicles expenses amounted to approximately 2.9%, 2.3% and 2.7% of our total cost of services for the years ended 31 March 2017, 2018 and 2019, respectively. For further information in relation to our motor vehicles, please refer to "Business — Major assets, equipment and vehicles — Motor Vehicles".

Gross profit

The following table sets forth a breakdown of our gross profit and gross profit margin by our business segments during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	%	HK$'000	%	HK$'000	%
Building cleaning service	31,286	8.7	43,515	10.5	45,079	9.8
Park and recreation center cleaning service	15,023	5.4	15,379	5.0	17,578	5.2
Street cleaning service	17,001	8.2	9,586	4.5	18,009	5.7
Institutional cleaning service	9,703	7.9	10,025	9.0	8,668	8.3
Other cleaning services	15,686	6.7	17,047	7.1	14,192	6.6
Total	88,699	7.4	95,552	7.4	103,526	7.2

Other income

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Government subsidies	325	31.0	151	19.7	101	30.9
Dividend income from financial assets at FVTPL	646	61.6	518	67.4	101	30.9
Interest income	78	7.4	49	6.4	125	38.2
Sundry income	—	—	50	6.5	—	—
Total	1,049	100	768	100	327	100

Our other income during the Track Record Period primarily consisted of dividend income from unlisted unit trusts investments, which are financial assets at FVTPL.

Other gains and losses

Our other gains and losses during the Track Record Period primarily consisted of net gain on disposals/written off of property, plant and equipment and fair value gain on financial assets at FVTPL (i.e. being investments in unlisted unit trusts and in life insurance policies for the key management). We recorded gain on disposal of financial assets at FVTPL of approximately HK$5.5 million for the year ended 31 March 2018. For each of the years ended 31 March 2017, 2018 and 2019, our other gains amounted to approximately HK$8.2 million, HK$7.3 million and HK$0.3 million, respectively. The fluctuation will be discussed in the paragraph headed "Period to period comparison of result of operations" below in this section.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March					
	2017		2018		2019	
	HK$'000	%	HK$'000	%	HK$'000	%
Staff costs	20,127	52.5	23,217	42.3	23,529	34.1
Directors' remuneration	4,784	12.5	14,110	25.7	12,200	17.7
Amortisation and depreciation	1,018	2.7	1,031	1.9	1,031	1.5
Bank charges	3,334	8.7	4,487	8.2	6,037	8.7
Office utilities expenses	2,068	5.4	2,285	4.2	2,422	3.5
Listing expenses	—	—	—	—	12,173	17.6
Professional fees	1,822	4.8	3,481	6.3	7,420	10.8
Others	5,151	13.4	6,265	11.4	4,194	6.1
Total	38,304	100	54,876	100	69,006	100

Our staff costs for our administrative staff was the largest component of our administrative expenses, representing approximately 52.5%, 42.3% and 34.1% of our total administrative expenses for the years ended 31 March 2017, 2018 and 2019, respectively.

Our other administrative expenses mainly included sundry expenses, transportation expenses, advertising and building management fee.

Bank charges mainly represent charges for the redemption of cheques, factoring loans and other bank services.

Professional fees mainly represents the relevant costs incurred for employee-related claims.

Details of staff costs and directors' remuneration in the administrative expenses are also set out in note 14 of the Accountant's Report set out in Appendix 1 to this prospectus.

For the years ending 31 March 2020 and 2021, our Directors expect that the depreciation charges in relation to our Group's expansion plan will be approximately HK$1.3 million and HK$8.6 million, respectively. For details of our expansion plan, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

Finance costs

During the Track Record Period, we had obtained interest-bearing bank borrowings and shareholders' loans to fund our business operations and made use of finance leases to purchase motor vehicles. Our finance costs, represented primarily the interest expenses on the bank borrowings, amounted to approximately HK$7.0 million, HK$6.8 million and HK$6.9 million for each of the years ended 31 March 2017, 2018 and 2019. Further details of the bank borrowings, shareholders' loans and finance leases will be discussed in the paragraph headed "Indebtedness" below in this section.

Income tax expense

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

We were subject to Hong Kong profit tax at the rate of 16.5% for the years ended 31 March 2017 and 2018. On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, for the year ended 31 March 2019, the first HK$2.0 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019 and profits above HK$2.0 million will continue to be subject to the tax rate of 16.5%. The following table sets forth our income tax expense during the Track Record Period:

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Current tax – Hong Kong Profit Tax			
Provision for the year	9,398	6,088	4,532
Over-provision in prior years	(51)	(51)	—
	9,347	6,037	4,532
Deferred tax	(966)	(40)	1,897
Total	8,381	5,997	6,429

For the years ended 31 March 2017, 2018 and 2019, our effective tax rate was 15.9%, 14.3% and 22.8%, respectively.

Non-HKFRS measures

In addition to the HKFRS measures in our consolidated financial information, we also use the non-HKFRS financial measure of adjusted profit for the year (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) to evaluate our operating performance as it reflects the profit generated by our ordinary and usual course of business. We believe that this non-HKFRS measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2019 compared to year ended 31 March 2018

Revenue

Our total revenue increased by approximately 11.5% or HK$147.4 million from approximately HK$1,286.0 million for the year ended 31 March 2018 to approximately HK$1,433.4 million for the year ended 31 March 2019. The increase was primarily due to the increase in revenue generated from (i) building cleaning service by approximately 10.9% or HK$45.1 million from approximately HK$414.4 million for the year ended 31 March 2018 to approximately HK$459.5 million for the year ended 31 March 2019 mainly because we were awarded four new service contracts from our non-government sector customers; (ii) park and recreation center cleaning service by approximately 10.9% or HK$33.5 million from approximately HK$306.0 million for the year ended 31 March 2018 to approximately HK$339.5 million for the year ended 31 March 2019 partly because we were awarded a new service contract with a significant contract sum in Kowloon area which commenced in October 2017 that contributed more significantly to the total revenue for the year ended 31 March 2019; and (iii) street cleaning service by approximately 45.9% or HK$98.6 million from approximately HK$215.0 million for the year ended 31 March 2018 to approximately HK$313.6 million for the year ended 31 March 2019 mainly due to the addition of three new service contracts in 2018.

During the year, we had been awarded with 24 new Major Tender Contracts, and after excluding the renewal Major Tender Contracts, the remaining 10 new Major Tender Contracts attributed to revenue of approximately HK$102.3 million, representing approximately 7.1% of the total revenue for the year ended 31 March 2019. Please refer to the section headed “Business — Service Contracts — Tender Contracts” for further details. Our revenue from the government sector customers increased by approximately 14.3% from approximately HK$760.5 million for the year ended 31 March 2018 to approximately HK$869.2 million for the year ended 31 March 2019. Such increase was primarily due to the increase in revenue generated from street cleaning, park and recreation center cleaning service. On the other hand, our revenue from non-government sector customers, such as commercial customers, increased by approximately 7.4% from approximately HK$525.5 million for the year ended 31 March 2018 to approximately HK$564.2 million for the year ended 31 March 2019. Such increase was primarily due to the increase in revenue generated from building cleaning service as discussed above.

Cost of services

Our cost of services increased by approximately 11.7% or HK$139.4 million from approximately HK$1,190.5 million for the year ended 31 March 2018 to approximately HK$1,329.9 million for the year ended 31 March 2019. The increase was primarily due to the increase of labour costs. Our labour costs increased from approximately HK$1,111.3 million for the year ended 31 March 2018 to approximately HK$1,233.5 million for the year ended 31 March 2019, representing an increase of approximately 11.0%, was mainly due to procuring more manpower as a result of the additional service contracts, which was in line with the increase in revenue of approximately 11.5% in the corresponding period.

Gross profit and gross profit margin

Our gross profit increased by approximately 8.3% or HK$7.9 million from approximately HK$95.6 million for the year ended 31 March 2018 to approximately HK$103.5 million for the year ended 31 March 2019 which was in line with our revenue growth. Our gross profit margin remained stable at 7.4% for the year ended 31 March 2018 and 7.2% for the year ended 31 March 2019.

Other income

Our other income decreased by approximately 62.5% or HK$0.5 million from approximately HK$0.8 million for the year ended 31 March 2018 to approximately HK$0.3 million for the year ended 31 March 2019. The decrease was mainly due to decrease in dividend income received from unlisted unit trusts as certain unlisted unit trusts investments were disposed of during the year ended 31 March 2018.

Other gains and losses

Our other gains and losses decreased by approximately 95.9% or HK$7.0 million from approximately HK$7.3 million for the year ended 31 March 2018 to approximately HK$0.3 million for the year ended 31 March 2019. The decrease of other gains and losses was mainly due to the absence of one-off gain on disposal of financial assets at FVTPL during the year ended 31 March 2019.

Administrative expenses

Our administrative expenses increased by approximately 25.7% or HK$14.1 million from approximately HK$54.9 million for the year ended 31 March 2018 to approximately HK$69.0 million for the year ended 31 March 2019. The increase was primarily due to the incurrence of non-recurring Listing expenses of approximately HK$12.2 million.

Finance costs

Our finance costs represented primarily the interest expenses on the bank borrowings with floating interest rates and remained steady at approximately HK$6.8 million for the year ended 31 March 2018 and approximately HK$6.9 million for the year ended 31 March 2019. Further details of the bank borrowings will be discussed in the paragraph headed “Indebtedness” below in this section.

Income tax expense

Our income tax expense increased by approximately 6.7% or HK$0.4 million from approximately HK$6.0 million for the year ended 31 March 2018 to approximately HK$6.4 million for the year ended 31 March 2019. The effective tax rate was approximately 14.3% for the year ended 31 March 2018 as we recorded non-taxable fair value gain and gain on disposal on financial assets at FVTPL of approximately HK$6.5 million. Our effective tax rate was approximately 22.8% for the year ended 31 March 2019 as we incurred non-deductible Listing expenses during the year ended 31 March 2019.

Profit for the year

Our profit for the year decreased by approximately 39.3% or HK$14.1 million from approximately HK$35.9 million for the year ended 31 March 2018 to approximately HK$21.8 million for the year ended 31 March 2019. Such decrease was mainly due to the incurrence of non-recurring Listing expenses of approximately HK$12.2 million for the year ended 31 March 2019.

Our net profit margin also decreased from 2.8% for the year ended 31 March 2018 to 1.5% for the year ended 31 March 2019.

Our net profit (excluding fair value gain on and gain on disposal of financial assets and Listing expenses) increased by approximately 14.6% or HK$4.3 million from approximately HK$29.4 million for the year ended 31 March 2018 to approximately HK$33.7 million for the year ended 31 March 2019, mainly due to the increase in our gross profit as a result of our increase in revenue in street cleaning service. The increase in revenue in street cleaning service was primarily due to the additional of three new service contracts in 2018.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

Our total revenue increased by approximately 6.8% or HK$81.9 million from approximately HK$1,204.1 million for the year ended 31 March 2017 to approximately HK$1,286.0 million for the year ended 31 March 2018. The increase was primarily due to the increase in revenue generated from (i) building cleaning service by approximately 14.7% or HK$53.0 million from approximately HK$361.4 million for the year ended 31 March 2017 to approximately HK$414.4 million for the year ended 31 March 2018 mainly because our Group was awarded 13 new service contracts from commercial customers relating to the provision of cleaning services for commercial buildings; and (ii) park and recreation center cleaning service by approximately 10.2% or HK$28.3 million from approximately HK$277.7 million for the year ended 31 March 2017 to approximately HK$306.0 million for the year ended 31 March 2018 mainly because of the award of two new service contracts for park cleaning services in Kowloon and New Territories areas during the year ended 31 March 2018.

During the year, we had been awarded with 34 Major Tender Contracts, and after excluding the renewal Major Tender Contracts, the remaining 12 new Major Tender Contracts attributed to revenue of approximately HK$193.7 million, representing approximately 15.1% of the total revenue for the year ended 31 March 2018. Please refer to the section headed "Business — Service Contracts — Tender Contracts" for further details. Our revenue from the government sector customers increased by approximately 5.7% or HK$41.0 million from approximately HK$719.5 million for the year ended 31 March 2017 to approximately HK$760.5 million for the year ended 31 March 2018, respectively. Such increase was primarily due to the increase in the revenue generated from the government sector customers for park and recreation center cleaning service of approximately HK$28.3 million as mentioned above. On the other hand, our revenue from non-government sector customers increased by approximately 8.4% from approximately HK$484.6 million for the year ended 31 March 2017 to approximately HK$525.5 million for the year ended 31 March 2018, respectively. Such increase was primarily due to the increase in the revenue generated from our commercial customers for building cleaning service as mentioned above.

Cost of services

Our cost of services increased by approximately 6.7% or HK$75.1 million from approximately HK$1,115.4 million for the year ended 31 March 2017 to approximately HK$1,190.5 million for the year ended 31 March 2018. The increase was primarily due to the increase in labour costs by approximately HK$78.3 million from approximately HK$1,033.0 million for the year ended 31 March 2017 to approximately HK$1,111.3 million for the year ended 31 March 2018. The change was primarily attributable to the increase in the number of our frontline workers in order to cope with the growth in our business as illustrated by the increase in our revenue as discussed above, as well as the increase in statutory minimum wage from HK$32.5 to HK$34.5 per hour effective from 1 May 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately 7.8% or HK$6.9 million from approximately HK$88.7 million for the year ended 31 March 2017 to approximately HK$95.6 million for the year ended 31 March 2018 and our gross profit margin remained stable at 7.4% for the year ended 31 March 2017 and 2018. Such increase was primarily due to the increase in our gross profit of approximately HK$12.2 million and gross profit margin of approximately 1.8% from building cleaning service which was in line with our increase in segment revenue as we continued to obtain new sizeable projects from commercial customers during the year ended 31 March 2018, offset by the decrease in our gross profit of approximately HK$7.4 million and gross profit margin of 3.7% from street cleaning service. Our Directors believe that the decrease in gross profit and gross profit margin of the street cleaning service was as a result of the increase in price competition in tendering for street cleaning contracts in 2018. As a result, such trend is considered to have driven down the profit of our street cleaning projects undertaken during the year ended 31 March 2018 and thus reducing the profit margin of those projects.

Other income

Our other income decreased by approximately 20.0% or HK$0.2 million from approximately HK$1.0 million for the year ended 31 March 2017 to approximately HK$0.8 million for the year ended 31 March 2018. Such decrease was primarily due to the decrease in government subsidies for the retirement of motor vehicles.

Other gains and losses

Our other gains and losses decreased by approximately 11.0% or HK$0.9 million from approximately HK$8.2 million for the year ended 31 March 2017 to approximately HK$7.3 million for the year ended 31 March 2018, mainly due to the decrease in net gain of disposals/written-off of motor vehicles of approximately HK$3.8 million as our Group disposed of certain motor vehicles after a sizeable contract expired in June 2016. Please refer to the section headed "Business — Major Assets, Equipment and Vehicles" for details of our motor vehicle disposal policy. As the Company had come across with buyers who were interested in acquiring those motor vehicles at the relevant time, we sold such batch of motor vehicles to those buyers after arm's length negotiation. The buyers for such sales comprised other market players in the cleaning industry, motors trading and recycling company, engineering company and individual. Among the proceeds from such sales, 65.1% was derived from the sale of motor vehicles to other market players in the cleaning industry, and 34.9% was derived for the sale of motor vehicles to the other buyers. The amount of considerations from the disposals of those motor vehicles amounted to approximately HK$5.7 million. Our Directors confirm that the considerations involved was determined on arm's length basis and on normal commercial terms.

Administrative expenses

Our administrative expenses increased by approximately 43.3% or HK$16.6 million from approximately HK$38.3 million for the year ended 31 March 2017 to approximately HK$54.9 million for the year ended 31 March 2018. The increase was primarily due to (i) the increase in directors' remuneration mainly as a result of the bonus for the year ended 31 March 2017 was concluded and agreed during the year ended 31 March 2018 and the adoption of new bonus scheme during the year ended 31 March 2018, resulting an increase in directors' remuneration of approximately HK$9.3 million during the year ended 31 March 2018; (ii) the increase in staff costs of approximately HK$3.1 million as a result of the increase of the salaries of our administrative staff; and (iii) the increase in professional fees of approximately HK$1.7 million mainly for the increase in the costs and disbursements of employees-related claims.

As our executive Directors have been responsible for our Group's overall day-to-day management, strategic planning and business development, our Company has paid performance based bonus to our executive Directors for the two financial years ended 31 March 2017. In January 2018, we adopted new bonus scheme applicable to the two financial years ending on 31 March 2019 with a view to incentivize our executive Directors to enhance our financial performance. Under the bonus scheme adopted in January 2018, if the net profit after tax of Johnson Hong Kong of a financial year is HK$10 million or more, the executive Directors will be entitled to bonuses ranging from 6% to 10% of the net profit after tax on a progressive scale.

Finance costs

Our finance costs, represented primarily the interest expenses on the bank borrowings with floating interest rates, remained steady and amounted to approximately HK$7.0 million for the year ended 31 March 2017 to approximately HK$6.8 million for the year ended 31 March 2018. Further details of the bank borrowings will be discussed in the paragraph headed "Indebtedness" below in this section.

Income tax expense

Our income tax expense decreased by approximately HK$2.4 million from approximately HK$8.4 million for the year ended 31 March 2017 to approximately HK$6.0 million for the year ended 31 March 2018 which was in line with our decrease in profit before tax as mentioned above. The effective tax rate for the year ended 31 March 2017 and 2018 was 15.9% and 14.3%, respectively, as we recorded non-taxable fair value gain on and gain on disposal of financial assets at FVTPL.

Profit for the year

Our profit for the year decreased by approximately 19.0% or HK$8.4 million from approximately HK$44.3 million the year ended 31 March 2017 to approximately HK$35.9 million for the year ended 31 March 2018. Such decrease was mainly due to the increase in administrative expenses of approximately HK$16.6 million as discussed above. Our net profit margin also decreased from 3.7% for the year ended 31 March 2017 to 2.8% for the year ended 31 March 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

Our primary use of cash is to fund our operations. We have financed our operations mainly by cash generated from our operations and bank borrowings. After the Listing, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the proceeds of the Global Offering.

Cash flow of our Group

The following table is a condensed summary of our consolidated statements of cash flows for the years/periods indicated:

Selected consolidated statements of cash flows

	For the year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Operating cash flow before movement in working capital	77,166	55,495	52,710
Net cash generated from/(used in) operating activities	59,738	(11,193)	40,608
Net cash generated from/(used in) investing activities	19,156	15,974	(15,958)
Net cash (used in)/generated from financing activities	(27,341)	9,582	(11,282)
Net increase in cash and cash equivalents	51,553	14,363	13,368
Cash and cash equivalents at the beginning of the year	8,013	59,566	73,929
Cash and cash equivalents at the end of the year	59,566	73,929	87,297

Cash flow generated from/(used in) operating activities

For the year ended 31 March 2019, we had net cash generated from operating activities of approximately HK$40.6 million. Profit before tax for the year was approximately HK$28.2 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$6.0 million; (ii) finance costs of approximately HK$6.9 million; (iii) provision for employee benefits of approximately HK$11.6 million; (iv) changes in working capital items that negatively affected the operating cash flows, mainly including the increase in account receivables of approximately HK$31.8 million; and (v) changes in working capital items that positively affected the operating cash flows, mainly including the increase in accruals and other payables of approximately HK$23.6 million. We reported net cash generated from operating activities of HK$40.6 million for the year ended 31 March 2019, compared to the net cash used in operating activities for the year ended 31 March 2018, mainly due to (i) the increase in the collection of amount from customers driven by the increase in sales for the year ended 31 March 2019; and (ii) the increase in accruals and other payables.

For the year ended 31 March 2018, we had net cash flows used in operating activities of approximately HK$11.2 million. This represents our profit before tax of approximately HK$41.9 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$6.7 million; (ii) finance costs of approximately HK$6.8 million; (iii) fair value gain on financial assets at FVTPL of approximately HK$6.5 million; (iv) provision for employee benefits of approximately HK$7.2 million; (v) changes in working capital items that negatively affected the operating cash flows, mainly including the increase in account receivables of approximately HK$50.5 million; and decrease in accruals, deposits received and other payables of approximately HK$5.0 million; and (vi) income taxes paid of approximately HK$10.8 million. We recorded net cash used in operating activities of approximately HK$11.2 million for the year ended 31 March 2018 mainly due to (i) the decrease in profit before tax; and (ii) the increase in account receivables which was in line with the revenue growth, coupled with slightly slower progress in the settlement by our customers.

For the year ended 31 March 2017, we had net cash flows generated from operating activities of approximately HK$59.7 million. This represents our profit before tax of approximately HK$52.7 million, adjusted mainly by (i) depreciation of property, plant and equipment of approximately HK$7.7 million; (ii) finance costs of approximately HK$7.0 million; (iii) fair value gain on financial assets at FVTPL of approximately HK$3.6 million; (iv) gain on disposals of property, plant and equipment of approximately HK$4.6 million; (v) provision for employee benefits of approximately HK$18.3 million; (vi) changes in working capital items that negatively affected the operating cash flows, mainly including the decrease in accruals, deposits received and other payables of approximately HK$11.2 million; (vii) income taxes paid of approximately HK$10.3 million; and (viii) changes in working capital items that positively affected the operating cash flows, mainly including the decrease in account receivables of approximately HK$3.8 million. Our net cash generated from operating activities increased by 69.8 times from approximately HK$0.9 million for the year ended 31 March 2016 to approximately HK$59.7 million for the year ended 31 March 2017. Such increase was mainly due to (i) the increase in profit before tax which was in line with our revenue growth; and (ii) slight improvement in the settlement of invoices by our non-government customers. The increase in provision for employee benefits was mainly for redundancy payments for our employees as we expected certain sizeable street cleaning contracts and institutional cleaning contracts would be expired in the following year.

During the Track Record Period, we recorded positive operating profit before working capital changes. The aforesaid movement in cash flow from operating activities is due to the timing mismatch between collection of account receivables and settlement of account payables.

Cash flow generated from/(used in) investing activities

For the year ended 31 March 2019, we had net cash used in investing activities of approximately HK$16.0 million. The cash had primarily been spent on the purchases of property, plant and equipment of approximately HK$18.7 million, offset by the decrease in pledged bank deposits by approximately HK$3.5 million. Our net cash used in investing activities increased to approximately HK$16.0 million for the year ended 31 March 2019 from net cash generated from investing activities of approximately HK$16.0 million for the year ended 31 March 2018, was mainly due to (i) the purchase of certain motor vehicles for newly awarded contracts for street cleaning; and (ii) the decrease in pledged bank deposits mainly due to the change in pledged bank deposit requirements from banks.

For the year ended 31 March 2018, net cash generated from investing activities was approximately HK$16.0 million. The cash had primarily been spent on the purchases of property, plant and equipment of approximately HK$2.6 million and was used to increase the pledged bank deposits of approximately HK$7.0 million, offset by the proceeds received from disposals of financial assets at FVTPL of approximately HK$25.1 million. As compared to the decrease in pledged bank deposits of approximately HK$16.8 million for the year ended 31 March 2017, we recorded an increase in pledged bank deposits of approximately HK$7.0 million for the year ended 31 March 2018. Such increase in pledged bank deposits was mainly due to the increase in our bank loans to provide liquidity for our Group's operation as we repaid shareholders' loans and paid out dividend during the year. Our net cash generated from investing activities decreased by approximately 16.6% or HK$3.2 million from approximately HK$19.2 million for the year 31 March 2017 to approximately HK$16.0 million for the year ended 31 March 2018 mainly due to (i) increase in pledged bank deposits as above-mentioned; and (ii) proceeds from disposal of financial assets at FVTPL during the year ended 31 March 2018, offset by less proceeds from disposals/written off of property, plant and equipment as our Group disposed of certain motor vehicles after a sizeable contract expired in June 2016.

For the year ended 31 March 2017, net cash generated from investing activities was approximately HK$19.2 million. The cash had primarily been spent on the purchases of property, plant and equipment of approximately HK$1.7 million and the purchases of financial assets at FVTPL of approximately HK$2.3 million, and offset by the proceeds received from disposals of property, plant and equipment of approximately HK$5.7 million and the decrease in pledged bank deposits by approximately HK$16.8 million. We recorded net cash used in investing activities of approximately HK$3.0 million for the year ended 31 March 2016 and net cash generated from investing activities of approximately HK$19.2 million for the year ended 31 March 2017. Such fluctuation was mainly due to (i) the decrease in pledged bank deposits as the deposit requirements of a banking facility were changed; and (ii) the increase in proceeds from disposals/written off of property, plant and equipment as our Group disposed of certain motor vehicles after a sizeable contract expired in June 2016.

Cash flow (used in)/generated from financing activities

For the year ended 31 March 2019, net cash used in financing activities was approximately HK$11.3 million. Drawdown of bank loans of approximately HK$67.7 million and the increase in factoring loans of approximately HK$14.5 million positively affected the cash flows from financing activities. The primary reason that negatively affected the cash flows from financing activities was (i) the repayment of bank loans of approximately HK$83.5 million; (ii) repayment of finance lease payables of approximately HK$3.1 million; and (iii) interest paid of approximately HK$6.9 million. Our net cash used in financing activities for the year ended 31 March 2019, compared to the net cash generated from financing activities for the year ended 31 March 2018, mainly due to the increase in repayment of bank loans during the year.

For the year ended 31 March 2018, we had net cash generated from financing activities of approximately HK$9.6 million. Drawdown of bank loans of approximately HK$113.6 million and the increase in factoring loans of approximately HK$15.8 million positively affected the cash flows from financing activities. The cash flows from financing activities was negatively affected by (i) repayment of shareholders' loans of approximately HK$25.1 million; (ii) repayment of bank loans of approximately HK$68.4 million; (iii) repayment of finance lease payables of approximately HK$4.6 million; (iv) interest paid of approximately HK$6.8 million; and (v) dividend paid of approximately HK$15.0 million. We recorded net cash used in financing activities of approximately HK$27.3 million for the year ended 31 March 2017 and net cash generated from investing activities of approximately HK$9.6 million for the year ended 31 March 2018 was mainly due to the increase in drawdown of bank loans and factoring loans during the year ended 31 March 2018.

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK$27.3 million. Drawdown of bank loans of approximately HK$24.9 million is the primary reason that positively affected the cash flows from financing activities. The cash flows from financing activities was negatively affected by (i) repayment of bank loans of approximately HK$38.4 million; (ii) repayment of finance lease payables of approximately HK$7.7 million; and (iii) interest paid of approximately HK$7.0 million. Our net cash used in financing activities decreased by 46.2% from approximately HK$50.8 million for the year ended 31 March 2016 to approximately HK$27.3 million for the year ended 31 March 2017 as (i) we made repayment of shareholders' loans in 2016 and did not make any repayment of shareholders' loan in 2017; and (ii) we paid dividend amounted to approximately HK$8.0 million in 2016.

Net current assets

The following table sets forth a breakdown of our current assets, current liabilities, and net current assets as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets				
Prepaid land lease payments	652	652	652	652
Account receivables	186,359	236,794	268,763	431,608
Prepayments, deposits and other receivables	5,726	5,666	8,411	13,669
Current tax assets	—	3,280	1,420	—
Pledged bank deposits	12,816	19,860	16,360	16,428
Bank and cash balances	59,566	73,929	87,297	80,650
	265,119	340,181	382,903	543,007
Current liabilities				
Account payables	12,763	12,271	13,840	15,834
Accruals, other payables and provisions	113,704	116,303	151,191	183,568
Shareholders' loans	25,050	—	—	—
Bank borrowings	54,051	115,064	113,749	252,720
Finance lease payables	2,958	2,172	2,715	2,684
Lease liabilities	—	—	—	241
Current tax liabilities	1,465	—	—	966
	209,991	245,810	281,495	456,013
Net current assets	55,128	94,371	101,408	86,994

We recorded net current assets of approximately HK$55.1 million, HK$94.4 million, HK$101.4 million and HK$87.0 million at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively. Our current assets mainly consists of account receivables of approximately HK$186.4 million, HK$236.8 million, HK$268.8 million and HK$431.6 million at 31 March 2017, 2018 and 2019 and 31 July 2019, respectively. Our current liabilities mainly consists of accruals, other payables and provisions of approximately HK$113.7 million, HK$116.3 million, HK$151.2 million and HK$183.6 million at 31 March 2017, 2018 and 2019 and 31 July 2019.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital and other liquidity requirements principally through a combination of cash flow from operations and interest-bearing bank borrowings. As at 31 March 2017, 2018 and 2019 and 31 July 2019, we had bank and cash balances of approximately HK$59.6 million, HK$73.9 million, HK$87.3 million and HK$80.7 million, respectively. Our bank and cash balances increased as at 31 March 2019 as we changed our salary payment policy to our frontline workers from semi-monthly basis to monthly basis, and we need to maintain a sufficient level of bank and cash balances at month end for salaries payment shortly after the month end. When we previously made salary payments on a semi-monthly basis, the frontline workers were divided into two separate batches and we made salary payment to the two batches of frontline workers on two different dates during the month respectively. As such, each individual frontline worker in fact received his/her salary payment once per month, instead of receiving the salary payment twice per month. We changed the salary payment policy for our frontline workers to monthly basis so that all of the frontline workers received the salary payments on the same date during the month, as we planned to streamline our payroll and accounting reporting processes and strengthen our liquidity monitoring system. With the change of salary payment policy, our Directors believe that we are able to prepare the management accounts more efficiently so that our management can rely on the more readily available closing balance and results to understand and closely monitor our Group's business performance, overall liquidity and working capital availability. Our Directors confirm that the change in payment policy will not affect the liquidity and working capital of our Group in material respects. Our 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.

Taking into consideration the financial resources presently available to us, including the cash and cash equivalents, expected cash generated from our operations and the estimated net proceeds from the Global Offering, our Directors are of the opinion that and the Sponsor concurs that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

Our Directors confirm that there was no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of financial covenants during the Track Record Period.

DESCRIPTION ON MAJOR COMPONENTS OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly contained buildings held for use in supply of services, or for administrative purposes, furniture and equipment, plant and machinery and motor vehicles. The balance of our property, plant and equipment increased by approximately HK$17.5 million from approximately HK$19.4 million as at 31 March 2018 to approximately HK$36.9 million as at 31 March 2019 as we have purchased certain motor vehicles for newly awarded contracts for street cleaning during the year ended 31 March 2019.

At 31 March 2017, 2018 and 2019, the buildings were pledged as security for our bank borrowings.

At 31 March 2017, 2018 and 2019, the carrying amount of property, plant and equipment held by our Group under finance leases amounted to HK$5.6 million, HK$9.1 million and HK$11.1 million respectively.

Prepaid land lease payments

Our interests in prepaid land lease payments represent prepaid operating lease payments and their net book values. As of 31 March 2017, 2018 and 2019, the net book values of prepaid land lease payments remained stable at approximately HK$19.6 million, HK$18.9 million and HK$18.3 million, respectively. At 31 March 2017, 2018 and 2019, prepaid land lease payments were pledged as security for our Group's bank borrowings.

Financial assets at fair value through profit or loss (FVTPL)

As of 31 March 2017, 2018 and 2019, our financial assets at FVTPL represents investments in unlisted unit trusts and investments in life insurance of approximately HK$34.9 million, HK$17.3 million and HK$18.6 million, respectively. The unlisted unit trust that we invested in generated payout (i.e. annual dividend to us) primarily from a portfolio of global high income municipal bonds and high dividend yielding global equities while the life insurance for Mr. Cheung and Mr. Szeto of which we are the beneficiaries provided certain monetary cover for us in the event there is loss of key management. Our Directors consider that these investments were selected after considering the Group's investment policy, including the factor that these investments could serve as qualified collateral at the time of obtaining banking facilities. To facilitate our financing activities with our banks, we invested in these financial products. Our Group has adopted investment policy in relation to financial assets setting out the authorization mechanism and evaluation procedures of investment and specific requirements in preparing the investment proposal. Our finance department is responsible for preparing the aforesaid studies and proposal, reviewing budget planning and performing the return assessment and our Board is responsible for approving the investment decision. Furthermore, the investment policy sets out various factors to be considered by our management including, among others, the purpose, the amount involved, the risks and corresponding control measures and practicability analysis relating to the proposed investment.

The balance of our investment in unlisted unit trusts investments decreased by approximately HK$19.6 million to approximately HK$2.1 million as at 31 March 2018 as a result of certain disposal of unlisted unit trusts investments during the year ended 31 March 2018. Due to the change in collateral requirements from banks, we disposed a significant amount of unlisted unit trust investments during the year ended 31 March 2018 after considering (i) the market price and profit to be realised from the disposal of unlisted unit trust investments; (ii) the need of working capital for operation; and (iii) the upcoming uncertainties from the market risk.

Dividend income of approximately HK$0.6 million, HK$0.5 million and HK$0.1 million were received on these investments during the years ended 31 March 2017, 2018 and 2019 respectively. The fair values of investments in unit trusts are determined by the number of unit trust held by our 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. At 31 March 2017, 2018 and 2019, all the unlisted unit trusts investments were pledged for banking facilities granted to our Group.

Our Group has entered into certain life insurance policies for key management with redeemable option during the Track Record Period as set out in note 7 of the Accountants' Report in Appendix I of this prospectus. As of 31 March 2017, 2018 and 2019, our investments in life insurance amounted to approximately HK$13.2 million, HK$15.2 million and HK$16.6 million respectively. Investments in life insurance represent investments in life insurance policies for our key management, Mr. Cheung and Mr. Szeto, Johnson Hong Kong is the beneficiary of this life insurance. 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 life insurance policies are classified as financial assets at fair value through profit or loss (FVTPL) of which no quoted price in an active market exists and such policies are not transferable in the open market. To the best knowledge of our Directors regarding HKFRS 13, the fair value of a financial asset is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using valuation technique (including the fair value measurement for financial assets at fair value through profit or loss categorised within level 3).

Our Group assessed the fair value of the life insurance policies by reference to their respective cash surrender values by reviewing the terms of the life insurance policies and the relevant statements on the cash surrender values of the relevant policies at the measurement date. According to the terms of the respective life insurance policies, our Directors understand that the cash surrender value represents the contracted redeemable amount proposed to be received by our Group when our Group terminates the respective life insurance policies during the relevant periods. Our Directors also consulted the relevant insurance companies which the redeemable amount of the respective life insurance policies are from (i.e. two sizeable and internationally recognized commercial banks in Hong Kong), and understand that the surrender value of such redeemable amount of the life insurance policies were measured by their actuarial teams.

Based on the above, although there is no open and active market for the transfer of the relevant life insurance policies, our Directors consider it is reasonable to adopt the cash surrender value of the relevant life insurance policies as the fair value in the preparation of the financial statements for the Track Record Period.

Details of the fair value measurement of the investment in life insurance, particularly the fair value hierarchy, the techniques employed and reconciliation of level 3 measurements are disclosed in note 7 to the Historical Financial Information of our Group for the Track Record Period as set out in the Accountants' Report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on I-2 of the Appendix I of this prospectus.

On the basis of (i) the cash surrender value measured by the actuarial teams of the sizable and internationally recognised commercial banks which provided the relevant insurance products; (ii) discussion with our Company and the Reporting Accountants on the key basis and assumptions for the determination of fair value of the financial assets; (iii) review of the relevant notes in the Accountants' Report contained in Appendix I of this prospectus and the fact that the Historical Financial Information which contained the fair value of the life insurance policies as set out in the Accountants' Report has been audited, the Sole Sponsor does not identify any material indication that the fair value of the investments in life insurance of our Group disclosed in the Historical Financial Information as at each of the balance sheet date of the Track Record Period is unreasonable.

At 31 March 2017, 2018 and 2019, all the investments in life insurance were pledged for banking facilities granted to our Group. Our Directors confirm that we will continue to hold the life insurance policies mentioned above.

None of these financial assets at FVTPL is impaired.

Account receivables

During the Track Record Period, our account receivables primarily represented amounts receivable from our customers for our services provided in ordinary course of business. The following table sets forth our account receivables as at 31 March 2017, 2018 and 2019, respectively:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Account receivables	186,895	237,364	269,203
Allowance for account receivables	(536)	(570)	(440)
	186,359	236,794	268,763

Our account receivables increased by approximately HK$50.4 million from approximately HK$186.4 million as at 31 March 2017 to approximately HK$236.8 million as at 31 March 2018, and further increased by approximately HK$32.0 million to HK$268.8 million as at 31 March 2019 primarily due to (i) our increase in revenue during the financial year 2018; and (ii) slightly slower in the settlement by our customers. Moreover, 42.7% for our account receivables as at 31 March 2019 were from our customers in the government sector. As at 31 March 2017, 2018 and 2019, our trade receivables due from our top two government sector customers (i.e. Customer A and Customer B) amounted to approximately HK$51.3 million, HK$68.9 million and HK$99.2 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulty in collecting payment from such customers. As at 31 July 2019, our subsequent settlement amounted to approximately HK$242.9 million, representing approximately 90.2% of the account receivables as of 31 March 2019.

Ageing analysis of account receivables

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

An ageing analysis of our account receivables, based on the invoice date, as at 31 March 2017, 2018 and 2019 is as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Up to 90 days	177,346	220,065	244,994
91 days to 180 days	6,838	13,808	19,812
181 days to 1 year	2,118	1,980	2,935
Over 1 year	593	1,511	1,462
Total	186,895	237,364	269,203

As at 31 March 2017, 2018 and 2019, approximately HK$24.4 million, HK$42.1 million and HK$58.2 million of account receivables were pledged to banks to secure factoring loans as set out in Note 21 to the Accountants' Report as set out in Appendix I to this prospectus.

As at 31 March 2017, 2018 and 2019, account receivables of approximately HK$26.7 million, HK$63.6 million and HK$84.6 million respectively were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Up to 90 days	21,347	53,226	70,568
91 days to 120 days	1,622	4,019	5,125
121 days to 1 year	3,250	4,834	7,512
Over 1 year	509	1,476	1,401
Total	26,728	63,555	84,606

Account receivables turnover days

The following table sets out for the periods presented the turnover of our average account receivables:

	For the year ended 31 March		
	2017	2018	2019
Account receivables turnover days(Note)	57	60	64

Note: Account receivables turnover days for a period equals the average of the opening and closing account receivables divided by revenue for the same period and multiplied by 365 days for a full-year period generating the revenue.

Our number of account receivables turnover days had been stable during the Track Record Period, and was 57 days, 60 days and 64 days, respectively for the years ended 31 March 2017, 2018 and 2019.

Our policy to control the account receivables turnover days

In order to enhance the monitoring of the accounts receivables recovery pace, going forward, our Group has strengthened the internal policy in order to reduce the account receivables turnover days.

Our supervisor in the finance and account department is responsible to issue and review the ageing analysis of account receivables. Our contracting department is responsible for collecting the receivables that exceed the credit periods granted by us to our customers. Our contracting department will follow up with and remind the customers for settling the invoice after it is issued. If the account receivable is overdue for more than 30 days, our supervisor in the finance and account department will follow up with the contracting department and provide the follow up results for our financial controller's review. Upon the confirmation of the financial controller, our contracting department will issue a notice of overdue amount to our customers. If the account receivables remain outstanding for more than three months after the issuance of the notice, the senior manager of our contracting department shall discuss with the customers regarding the delay of payments and the date of payment. The senior manager of our contracting department shall record all collection process and monitor the progress of receivables collection.

Pledged bank deposits

The pledged bank deposits represented deposits pledged to banks to secure bank borrowings and banking facilities of our Group, which amounted to approximately HK$12.8 million, HK$19.9 million and HK$16.4 million as at 31 March 2017, 2018 and 2019, respectively. Further details on bank borrowings were set out in Note 28 to the Accountants' Report as set out in Appendix I to this prospectus. The fluctuation of pledged bank deposit balances mainly due to the different collateral requirement for our banks we engaged during the Track Record Period.

Account payables

During the Track Record Period, our account payables mainly represented amounts payable to our third party service providers and suppliers for their services provided or consumables sold to us. The following sets forth our account payables as at 31 March 2017, 2018 and 2019 respectively:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Account payables	12,763	12,271	13,840

Our account payables remained steady and amounted to approximately HK$12.8 million, HK$12.3 million and HK$13.8 million as at 31 March 2017, 2018 and 2019 respectively.

Ageing analysis of account payables

We were normally offered credit periods ranging from 30 days to 90 days, from invoice date, depending on the relationship with our suppliers and service providers.

The following table sets forth a summary of ageing of our account payables based on invoice date at the end of each reporting period is as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Up to 30 days	7,022	11,766	13,324
31 days to 60 days	4,802	477	487
61 days to 90 days	914	—	—
Over 90 days	25	28	29
Total	12,763	12,271	13,840

Account payables turnover days

The following table sets out for the periods presented the turnover of our average account payables:

	For the year ended 31 March		
	2017	2018	2019
Account payables turnover days(Note)	57	58	49

Note: Account payables turnover days for a period equals the average of the opening and closing trade payables balance divided by cost of service (excluding labour costs) for the same period and multiplied by 365 days for a full-year period incurred the cost.

Our account payables turnover days ranged from 49 to 58 days for the years ended 31 March 2017, 2018 and 2019, which were within the payment terms pursuant to the applicable invoices.

Subsequent settlement

As at 31 July 2019, our account payables of approximately HK$13.8 million (100% of our account payables as at 31 March 2019) have been settled.

Accruals, other payables and provisions

The following table sets forth a breakdown of our accruals, other payables and provisions as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Accrued staff costs and provisions	107,911	115,532	144,449
Other accruals	428	611	5,857
Directors' long-service rewards payables(Note)	6,300	—	—
Other payables	2,309	2,994	3,982
Total	116,948	119,137	154,288

Note: The amounts were payable to the directors Mr. Cheung and Mr. Szeto upon their request at least three months in advance and were settled during the year ended 31 March 2018.

Out of the accruals, other payables and provisions of approximately HK$116.9 million, HK$119.1 million and HK$154.3 million as at 31 March 2017, 2018 and 2019 respectively, accrued staff costs and provisions (mainly provision for redundancy cost, annual leave and long service payment) amounted to approximately HK$107.9 million, HK$115.5 million and HK$144.4 million as at 31 March 2017, 2018 and 2019 respectively.

Our accrued staff costs and provisions increased to approximately HK$115.5 million as at 31 March 2018 mainly in line with the increase in labour costs. Our accrued staff costs and provisions further increased to approximately HK$144.4 million as at 31 March 2019 mainly due to the increase in labour costs as we were awarded new projects during the year ended 31 March 2019. Please refer to the section headed "Business — Service Contracts — Tender Contracts" in this prospectus for further details.

Our other accruals mainly represented accrued professional fees. Our other accruals remained stable and amounted to approximately HK$0.4 million as at 31 March 2017 and approximately HK$0.6 million as at 31 March 2018. Our other accruals increased to approximately HK$4.0 million as at 31 March 2019 as we incurred professional fees for Listing.

INDEBTEDNESS

The following table sets forth a breakdown of our bank borrowings as at 31 March 2017, 2018 and 2019 and 31 July 2019, being the latest practicable date for the purpose of this indebtedness in this prospectus.

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank loans	32,050	77,217	61,387	73,217
Factoring loans	22,001	37,847	52,362	179,503
Total	54,051	115,064	113,749	252,720

Bank borrowings

The following table sets forth a breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank borrowings:				
— Repayable within one year	40,158	102,053	101,595	240,850
— Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	13,893	13,011	12,154	11,870
Total	54,051	115,064	113,749	252,720
Less: Amount due for settlement within 12 months (shown under current liabilities)	(54,051)	(115,064)	(113,749)	(252,720)
Amount due for settlement after 12 months	—	—	—	—

As at 31 July 2019, we had unutilised banking facilities of approximately HK$184.4 million, which compromised (i) overdraft and revolving loan facilities of our Group amounted to approximately HK$52.3 million; (ii) factoring facility of approximately HK$46.7 million; and (iii) guarantee line facility of approximately HK$85.4 million.

The balance of bank borrowings increased by approximately HK$61.0 million from approximately HK$54.1 million as at 31 March 2017 to approximately HK$115.1 million as at 31 March 2018 mainly due to more bank borrowings were drawdown during the year to provide liquidity for our Group's operation as we have repaid shareholders' loans in an amount of approximately HK$25.1 million and paid out dividend of approximately HK$15.0 million for the year.

The balance of bank borrowings remained steady at approximately HK$115.1 million as at 31 March 2018 and approximately HK$113.7 million as at 31 March 2019.

All of our bank borrowings were denominated in Hong Kong dollar and the interest rates per annum were as follows:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
				(unaudited)
Bank loans	2.07% to 5.00%	2.07% to 4.08%	2.43% to 5.05%	3.22% to 4.62%
Factoring loans	2.17% to 5.00%	2.00% to 5.00%	2.00% to 3.51%	3.50% to 4.86%

All bank borrowings are arranged at floating rates, thus exposing our Group to cash flow interest rate risk.

At 31 March 2017, 2018 and 2019 and 31 July 2019, bank loans amounted to approximately HK$31.9 million, HK$47.2 million, HK$41.4 million and HK$53.2 million, respectively were secured by our Group's pledged bank deposits and account receivables, of which approximately HK$28.9 million, HK$35.0 million, HK$14.2 million and HK$31.9 million, respectively were also secured by our Group's buildings, prepaid land lease payments and financial assets at FVTPL.

At 31 March 2017, 2018 and 2019 and 31 July 2019, factoring loans amounted to approximately HK$22.0 million, HK$37.8 million, HK$52.4 million and HK$179.5 million, respectively were secured by our account receivables, of which approximately HK$18.5 million, HK$29.2 million, HK$45.6 million and HK$163.7 million, respectively were also secured by our Group's pledged bank deposits, buildings, prepaid land lease payments and/or financial assets at FVTPL.

At 31 March 2017, 2018 and 2019 and 31 July 2019, two directors, Mr. Cheung and Mr. Szeto, have guaranteed bank loans and factoring loans made up to our Group totaling approximately HK$53.9 million, HK$43.9 million, HK$6.7 million and NIL, respectively.

At 31 March 2017, a former shareholder, Hong Kong Johnson Investments (BVI), has guaranteed bank loans and factoring loans made up to our Group totalling approximately HK$16.0 million.

At 31 March 2019 and 31 July 2019, Canvest (China), a Shareholder, has guaranteed bank loans made up to our Group totalling approximately HK$49.2 million and HK$121.5 million, respectively.

At 31 March 2017, 2018 and 2019 and 31 July 2019, a Shareholder, Hong Kong Huafa, has guaranteed bank loans and factoring loans made up to our Group totaling approximately HK$43.6 million, HK$114.0 million, HK$113.7 million and HK$250.4 million, respectively.

Our Directors confirm that all such corporate guarantees for bank borrowing and performance bonds provided by Huafa Controlling Shareholders and Canvest Controlling Shareholders will be released or replaced by our Company's corporate guarantees upon Listing. Save as the indebtedness as disclosed above, we currently do not have an external financing plan.

Obligations under finance leases

It is our Group's policy to lease certain of its motor vehicles under finance leases. As at 31 March 2019, certain motor vehicles of our Group were under finance leases with an aggregate outstanding principal amount of approximately HK$10.2 million. The average lease term is 4 years, 5 years and 5 years as at 31 March 2017, 2018 and 2019 respectively. At 31 March 2017, 2018 and 2019 and 31 July 2019, the effective borrowing rates were ranging from 2.60% to 4.74%, 2.60% to 3.99%, 3.10% to 4.14% and 3.10% to 4.14% per annum respectively. Interest rates are fixed at the contract dates and thus expose our Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, our Group has the option to purchase the motor vehicles at nominal prices.

As at the dates indicated, present value of minimum lease payments under finance leases were as follows:

	As at 31 March			As at 31 July
	2017	**2018**	**2019**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Within one year	2,958	2,172	2,715	2,684
In the second to fifth years, inclusive	593	6,303	7,437	6,532
Present value of lease obligations	3,551	8,475	10,152	9,216
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,958)	(2,172)	(2,715)	(2,684)
Amount due for settlement after 12 months	593	6,303	7,437	6,532

All of our finance leases were denominated in Hong Kong dollar. As at 31 March 2017, 2018 and 2019 and 31 July 2019, the obligation under finance leases of our Group of approximately Nil, HK$1.5 million, HK$1.2 million and HK$1.0 million, respectively was guaranteed by a shareholder, Hong Kong Huafa.

At 31 March 2019 and 31 July 2019, Canvest (China), a Shareholder, has provided corporate guarantees to certain finance leases of our Group totalling approximately HK$3.9 million and HK$3.6 million, respectively.

As at 31 March 2017, 2018, 2019 and 31 July 2019, the obligation under finance leases of our Group of approximately HK$3.6 million, HK$7.0 million, HK$5.1 million and HK$4.6 million, respectively, was guaranteed by our Director, Mr. Szeto.

Our Directors confirm that all such corporate guarantees for finance leases of our Group provided by Hong Kong Huafa and Canvest (China) and director guarantees for finance leases of our Group provided by Mr. Szeto will be released or replaced by our Company's corporate guarantees upon Listing.

Lease liabilities

We have adopted HKFRS 16 "Leases" with effect from 1 April 2019 (effective for annual periods beginning on or after 1 April 2019). Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. As at 31 July 2019, our lease liabilities amounted to approximately HK$320,000. For further information about the adoption of HKFRS 16, please refer to note 3(b) in the Accountant's Report set out in Appendix I to this prospectus.

CONTINGENT LIABILITIES

Performance bonds

At 31 March 2017, 2018 and 2019, 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 our Group amounting to HK$106.8 million, HK$158.9 million and HK$216.4 million, respectively. For further information in relation to performance bonds issued, please refer to Note 33(a) to the accountants' report set out in Appendix I to this prospectus. The amount of performance bonds was relatively higher as at 31 March 2018 as a number of contracts were awarded during the year ended 31 March 2018. The performance bonds were secured by pledged bank deposits, account receivables, buildings, prepaid land lease payments, financial assets at FVTPL. For further information in relation to performance bonds, please refer to "Business — Service Contracts — Principal terms and conditions of our tender contracts — Performance bond" in this prospectus.

Litigation

As at 31 March 2017, 2018 and 2019, there were contingent liabilities in respect of which our Group has been involved in several on-going litigations and claims concerning personal injuries of its existing employees or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK$8.9 million, HK$9.6 million and HK$1.3 million, respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies and the estimated costs and expenses above the insurance deductibles are expected to be adequately covered by our Group's insurance policies.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities, we did not have, at the close of business on 31 July 2019, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 1 August 2019 up to the date of this prospectus.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditure has principally consisted of purchase of furniture and equipment, plant and machinery, leasehold improvements, computer and software and motor vehicles, which sets forth in the table below during the period indicates.

	For the year ended 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Furniture and equipment	15	15	—
Plant and machinery	802	835	583
Leasehold improvements	—	196	—
Computer and software	902	281	—
Motor vehicles	—	10,781	22,867
Total	1,719	12,108	23,450

Our capital expenditure mainly included acquisition of plant and machinery and motor vehicles. We require vehicles including specialised vehicles for providing environmental services in the ordinary course of our business. There was a significant increase in the capital expenditure of motor vehicles for the years ended 31 March 2018 and 2019 as we acquired a number of motor vehicles during the years ended 31 March 2018 and 2019 to cope with the increase in the number of street cleaning contracts during such year.

The details of the usage and types of motor vehicles acquired by our Group and corresponding projects in which those motor vehicles were deployed during the year ended 31 March 2018 are set out below:

Name of corresponding projects in which those motor vehicles were deployed	Commencement date of corresponding projects	Total contract sum of corresponding projects	Major types of motor vehicles purchased	Purchase amount
		(HK$ million)		(HK$ million)
Provision of street cleaning services to Customer A in Wan Chai East districts ("**Project A**") *(Note 1)*	January 2018	82.3	Grab tipper, Water wagon	2.7
Provision of street cleaning services to Customer A in Yau Tsim (North) district ("**Project B**") *(Note 1)*	May 2018	60.8	Arrow board vehicle, Water wagon, Tip lorry	2.1
Provision of services to Customer A in Tung Chung, Mui Wo, Hong Kong-Zhuhai-Macao Bridge (Hong Kong Boundary Crossing Facilities) and Other Specified Areas in Islands District ("**Project C**") *(Note 1)*	July 2017	54.0	Tail-lift truck, Arrow board vehicle	2.0
Provision of street cleaning services to Customer A in Tsuen Wan district ("**Project D**") *(Note 1)*	May 2017	99.1	Lorry, Water wagon	1.1
Other projects *(Note 2)*	N/A	N/A	Light good vehicle, Refuse compaction vehicle, Hook-lift truck, Tail-lift truck, Arrow board vehicle	2.9
			Total	**10.8**

Notes:

1. This represent a new street cleaning project (exclusive of renewal projects) commenced in the relevant period.

2. Other projects mainly include other street cleaning projects, building cleaning projects, a park and recreational cleaning project and an institutional cleaning project.

As illustrated above, approximately 44.4% of motor vehicles acquisition costs were incurred for purchase of motor vehicles for Project A and Project B. Our Directors consider that (i) the revenue from street cleaning service only increased by 4% or approximately HK$8.5 million for the year ended 31 March 2018 as Project A only contributed three months of revenue and Project B contributed nil revenue (as its contract terms only commenced in May 2018) while revenue contributed by Project C and Project D was offset by the decrease in revenue due to completion of two street cleaning projects during the year; and (ii) despite our Group had tried to deploy motor vehicles previously used in those completed projects to the new projects, our Group had to purchase certain motor vehicles as mentioned above for undertaking the said new projects as motor vehicles types required for the new projects were not exactly the same as those in completed projects and those motor vehicles released from the completed projects were not able to fully cater for the need of motor vehicles for relevant new projects.

The details of the types of motor vehicles acquired by our Group and corresponding projects in which those motor vehicles were deployed during the year ended 31 March 2019 are set out below:

Name of corresponding projects in which those motor vehicles were deployed	Commencement date of corresponding projects	Total contract sum of corresponding projects	Major types of motor vehicle purchased	Purchase amount
		(HK$'million)		(HK$'million)
Provision of street cleaning services to Customer A in Mong Kok (West) district *(Note 1)*	September 2018	89.9	Tipper, Tail-lift truck, Water wagon, Arrow board vehicle	5.9
Provision of street cleaning services to Customer A in Yau Tsim (North) district *(Note 1)*	May 2018	60.8	Grab tipper, Water wagon, Tip lorry	2.6
Provision of mechanical street washing services to customer A in Kowloon Districts *(Note 1)*	December 2018	20.1	Water wagon	8.9
Other projects *(Note 2)*	N/A	N/A	Light good vehicle, Water wagon, Tip lorry	5.5
			Total	**22.9**

Notes:

1. This represent a new street cleaning project (exclusive of renewal projects) commenced in the relevant period.

2. Other projects mainly include, among others, other street cleaning projects and park and recreation center cleaning projects.

We recorded net gain from disposal of property, plant and equipment of approximately HK$4.6 million, HK$0.8 million and HK$18,000 respectively for each of the years ended 31 March 2017, 2018 and 2019.

CAPITAL COMMITMENTS

We had the following capital commitments contracted as at the dates indicated but not yet incurred:

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Purchase of property, plant and equipment	—	2,534	1,342	4,113

OPERATING LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Within one year	237	185	301
In the second to fifth years, inclusive	66	100	61
Total	303	285	362

Operating lease payments represent rentals payable by our Group for certain of its warehouse and parking spaces. Leases are negotiated for the term ranging from one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

RELATED PARTY BALANCES AND TRANSACTIONS

During the Track Record Period, our related party transactions included interest on shareholders' loans and listing expenses for services rendered by the financial printer and financial advisors. The shareholders' loans were unsecured, interest-bearing ranging from 4.84% to 6.75% per annum and had no fixed terms of repayment. As at 31 March 2017, 2018 and 2019, the shareholders' loans amounted to approximately HK$25.1 million, NIL and NIL respectively. The interest on our shareholders' loans amounted to approximately HK$1.3 million, HK$0.7 million and NIL for the corresponding year. We have repaid the shareholders' loans during the Track Record Period. We intend to settle all service fees payable by us to the financial printer and financial advisors related to the Global Offering before the Listing. Our Directors confirm these related party transactions were conducted on arm's length basis, on normal commercial terms and in the ordinary course of business. For further details, please refer to note 37 to the Accountants' report to this prospectus.

During the Track Record Period, our Directors provided personal guarantees for our bank borrowings and performance bonds. Such personal guarantees would be released upon Listing and would be replaced by corporate guarantee provided by our Company.

LISTING EXPENSES

Our estimated Listing expenses primarily consist of legal and professional fees in relation to the Listing. Assuming an Offer Price of HK$1.1 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by the Company are estimated to be approximately HK$37.5 million, of which approximately HK$15.4 million is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK$22.1 million is chargeable to the consolidated statements of profit or loss and other comprehensive income, of which approximately HK$12.6 million were charged to the consolidated statements of profit or loss and other comprehensive income during the Track Record Period, and approximately HK$9.5 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2020. The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDENDS

Our Group paid dividends of approximately NIL, HK$15.0 million and NIL to the then shareholders during the years ended 31 March 2017, 2018 and 2019.

Our Group currently does not have a fixed dividend policy and we may distribute dividends by way of cash or by other means that our Directors consider appropriate following the completion of the Global Offering. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board will review our 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

- our Group's capital requirements
- the payment by its subsidiaries of cash dividends to the Company
- possible effects on liquidity and financial position of our Group
- other factors the Board may deem relevant

Our historical declarations of dividends may not reflect our future declarations of dividends.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

		For the year ended/as at 31 March		
	Notes	**2017**	**2018**	**2019**
Current ratio	*1*	1.3	1.4	1.4
Quick ratio	*2*	1.3	1.4	1.4
Gearing ratio	*3*	69.9%	88.7%	76.9%
Net debt to equity ratio	*4*	19.5%	35.6%	22.7%
Return on equity	*5*	37.5%	25.8%	13.5%
Return on assets	*6*	13.3%	9.1%	4.8%
Interest coverage	*7*	8.6	7.2	5.1
Gross margin	*8*	7.4%	7.4%	7.2%
Net profit margin	*9*	3.7%	2.8%	1.5%

Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities.

2. Quick ratio is calculated by dividing current assets (net of inventories) by total current liabilities.

3. Gearing ratio is calculated by dividing total debts by total equity and multiplying the resulting value by 100%. Our total debts include interest-bearing borrowings and obligations under finance leases.

4. Net debt to equity ratio is calculated by dividing net debt by total equity and multiplying the resulting value by 100%. Net debt is defined to include total debts net of bank and cash balances.

5. Return on equity is calculated by dividing profit for the year by total equity and multiplying the resulting value by 100%.

6. Return on assets is calculated by dividing profit for the year by total assets and multiplying the resulting value by 100%.

7. Interest coverage is calculated by dividing profit before interest and tax by finance costs.

8. Gross margin is calculated by dividing gross profit by revenue and multiplying the resulting value by 100%. Gross profit equals revenue minus cost of services.

9. Net profit margin is calculated by dividing profit for the year/period by revenue and multiplying the resulting value by 100%.

Current ratio and quick ratio

Our current ratio remained stable and amounted to 1.3, 1.4 and 1.4 as of 31 March 2017, 2018 and 2019 respectively. Our quick ratio remained stable and amounted to 1.3, 1.4 and 1.4 as of 31 March 2017, 2018 and 2019 respectively.

Gearing ratio and net debt to equity ratio

Our gearing ratio was 69.9%, 88.7% and 76.9% as of 31 March 2017, 2018 and 2019, respectively. Our net debt to equity ratio was 19.5%, 35.6% and 22.7% as of 31 March 2017, 2018 and 2019 respectively. Our gearing ratio and net debt to equity ratio remained steady as of 31 March 2017, 2018 and 2019.

Return on equity

Return on equity for the year ended 31 March 2018 was 25.8%, representing a decrease as compared to the return on equity for the year ended 31 March 2017 of approximately 37.5%. Return on equity decreased further to 13.5% for the year ended 31 March 2019. Such decrease was mainly attributable to the decrease in profit and the increase in equity for the years ended 31 March 2018 and 2019.

Return on assets

Return on assets for the year ended 31 March 2018 was about 9.1%, representing a decrease as compared to the return on assets for the year ended 31 March 2017 of approximately 13.3%. Return on assets decreased further to 4.8% for the year ended 31 March 2019. Such decreased was mainly due to the decrease in profit for the year ended 31 March 2018 and 2019 and the increase in total assets as at 31 March 2018 and 2019.

Interest coverage

Interest coverage decreased from approximately 8.6 for the year ended 31 March 2017 to approximately 7.2 for the year ended 31 March 2018. The decrease was primarily attributable to the decrease in profit before tax and interest from approximately HK$59.7 million for the year ended 31 March 2017 to approximately HK$48.7 million for the year ended 31 March 2018.

Interest coverage decreased from approximately 7.2 for the year ended 31 March 2018 to approximately 5.1 for the year ended 31 March 2019. The decrease was primarily attributable to the decrease in profit before tax and interest from approximately HK$48.7 million for the year ended 31 March 2018 to approximately HK$35.1 million for the year ended 31 March 2019.

Gross profit margin

Our gross profit margin remained stable and amounted to 7.4%, 7.4% and 7.2% for each of the years ended 31 March 2017, 2018 and 2019, respectively. For a discussion of the factors affecting our gross profit margin, please refer to the paragraph headed "Period to Period Comparison of Results of Operations — Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin remained stable and amounted to 3.7%, 2.8% and 1.5% for each of the years ended 31 March 2017, 2018 and 2019, respectively. According to Frost & Sullivan, our Group's thin net profit margin is in line with the industry norm due to the nature of the industry. For a discussion of the factors affecting our net profit margin, please refer to the paragraph headed "Period to Period Comparison of Results of Operations — Profit for the year" in this section.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISKS

Our Group is exposed to foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk in the normal course of business. For further details of our financial risk management, please refer to Note 6 to the accountants' report set out in Appendix I to this prospectus.

Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. Our Directors believe that overall strategy remains unchanged during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets, which was prepared to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 31 March 2019 as if the Global Offering had taken place on 31 March 2019, was approximately HK$0.52 per Share and HK$0.57 per Share, respectively, based on the indicative Offer Price range of HK$1.0 per Offer Share to HK$1.2 per Offer Share. Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have submitted 451 tenders and we had been awarded with 36 tender contracts with aggregate tender contract sum amounted to approximately HK$229.3 million. 17 of them, among which eight were new tender contracts and nine were renewal tender contracts, were awarded by our government sector customers with contractual terms ranging from two to 36 months and 19 of them, among which nine were new tender contracts and 10 were renewal tender contracts, were awarded by our non-government sector customers for cleaning services with contractual terms ranging from 12 to 36 months. The aggregate tender contract sum for such awarded tender contracts from our government sector customers and non-government sector customers amounted to approximately HK$119.4 million and HK$109.9 million, respectively. As at the Latest Practicable Date, 119 tender results for the 451 tenders submitted by us are yet to be released.

Furthermore, we expect that the revenue from our park and recreation center cleaning service will contribute to the growth of our business. The revenue from park and recreation center cleaning service will potentially increase after the Track Record Period mainly due to the award of a new service contact with a contract sum amounted to approximately HK$377.6 million and the renewal of an existing service contract with a contract sum of approximately HK$379.8 million by Customer B. Our Directors consider that these service contracts are able to generate us a stable income after taking into account the fact that (i) we had business with Customer B for more than 20 years; (ii) the total contract value for both service contracts of approximately HK$757.4 million; and (iii) the contract period for both service contracts is fixed for three years.

As at 31 July 2019, we had successfully collected approximately HK$242.9 million, or 90.2% of the outstanding balance of our trade receivables as at 31 March 2019. There was an increase in our account receivables as at 31 March 2019 was mainly which was in line with our increase in revenue. As at 31 July 2019, approximately HK$13.8 million or 100% of our trade payables outstanding as of 31 March 2019 were paid.

Save for the impact of the Listing expenses as disclosed in the paragraph headed "Listing Expenses" in this section, which are expected to have an adverse impact to our financial results for the year ending 31 March 2020, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change to our financial, operational and/or trading position since 31 March 2019, being the date to which our most recent audited consolidated financial information were prepared, and since that date, there has been no event up to the Latest Practicable Date that would materially affect the information shown in our consolidated financial information included in the Accountants' Report of the Group set out in Appendix I of this prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together, the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares (the "**Cornerstone Placing**"). The Cornerstone Placing would secure the demand for a substantial proportion of the Offer Shares, and would demonstrate investor interest and confidence in the Global Offering and enhance the success of the Global Offering.

Assuming an Offer Price of HK$1.0, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be acquired by the Cornerstone Investors would be 55,000,000 Offer Shares, representing approximately 44.0% of the Offer Shares and approximately 11.0% of our total issued share capital immediately upon the completion of the Global Offering.

Assuming an Offer Price of HK$1.1, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be acquired by the Cornerstone Investors would be 49,998,000 Offer Shares, representing approximately 40.0% of the Offer Shares and approximately 10.0% of our total issued share capital immediately upon the completion of the Global Offering.

Assuming an Offer Price of HK$1.2, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be acquired by the Cornerstone Investors would be 45,832,000 Offer Shares, representing approximately 36.7% of the Offer Shares and approximately 9.2% of our total issued share capital immediately upon the completion of the Global Offering.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). There will not be deferred settlement in respect of any Offer Shares to be acquired by the Cornerstone Investors. The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will it become a substantial shareholder of the Company. To the best knowledge of our Company, neither of the Cornerstone Investors nor their ultimate beneficial owners are directors of the Company, existing shareholders of the Company or their close associates (as defined in the Listing Rules). Other than the Cornerstone Placing, there are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue or in relation to the Cornerstone Placing. Neither of the Cornerstone Investors is accustomed to take instructions from a core connected person (as defined in the Listing Rules) of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares.

The total number of Offer Shares to be acquired by the Cornerstone Investors pursuant to the Cornerstone Placing will not be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the section headed "Structure and Conditions of the Global Offering — Reallocation of the Offer Shares" in this prospectus.

THE CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with the Cornerstone Investors in respect of the Cornerstone Placing, the details of which are set out in the table below:

Cornerstone Investor	Investment Amount (HK$ in million)	Number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Global Offering
Based on the Offer Price of HK$1.0 (being the low-end of the indicative Offer Price range)				
South Pacific	45.0	45,000,000	36.0	9.0
Mr. Chen Xiangeng	10.0	10,000,000	8.0	2.0
Total	55.0	55,000,000	44.0	11.0
Based on the Offer Price of HK$1.1 (being the mid-point of the indicative Offer Price range)				
South Pacific	45.0	40,908,000	32.7	8.2
Mr. Chen Xiangeng	10.0	9,090,000	7.3	1.8
Total	55.0	49,998,000	40.0	10.0
Based on the Offer Price of HK$1.2 (being the high-end of the indicative Offer Price range)				
South Pacific	45.0	37,500,000	30.0	7.5
Mr. Chen Xiangeng	10.0	8,332,000	6.7	1.7
Total	55.0	45,832,000	36.7	9.2

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

1. South Pacific International Trading Limited

South Pacific International Trading Limited ("**South Pacific**") has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with HK$45,000,000 at the Offer Price out of its internal resources (including the internal resources of its own and of its group companies under the same holding).

South Pacific is a company incorporated in Hong Kong in April 1997 and an indirect wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Co., Ltd. ("**SIIC**"), a company incorporated in Hong Kong with limited liability and an overseas conglomerate controlled by the Shanghai municipal government. As at the Latest Practicable Date, 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 Latest Practicable Date, SIHL, through its indirect wholly-owned subsidiary, True Victor Holdings Limited, was interested in approximately 17.6% of Canvest Environmental. South Pacific is principally engaged in securities investment.

South Pacific became acquainted with our Company through the introduction of the opportunity to participate in the Cornerstone Placing by Canvest (China).

2. Mr. CHEN Xiangeng

Mr. CHEN Xianggeng has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with HK$10,000,000 at the Offer Price out of his own funds.

Mr. CHEN Xiangeng, founded Guangdong Jinglong Construction Group Co., Ltd. ("**Guangdong Jinglong**") and currently serves as its chairman. Guangdong Jinglong is a well-established decoration project design and decoration supplier, and, along with its subsidiaries, principally engages in property development projects and offers various property development related services including construction materials logistics, project management, architectural design, and property management. Mr. CHEN Xiangeng has an existing business relationship with Zhuhai Huafa, and became acquainted with our Company through the introduction of the opportunity to participate in the Cornerstone Placing by Zhuhai Huafa.

The obligations of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, *inter alia*, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having been effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement or such later time and date as may be agreed between the Company and the Joint Global Coordinators;

(ii) the Offer Price having been agreed upon between by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company in connection with the Global Offering;

(iii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

Based on a) the terms of the Cornerstone Agreements; b) the review of the personal information and/or corporate documents and respective supporting documents as to financial resources of the Cornerstone Investors provided by each of the Cornerstone Investors; and c) due diligence interviews conducted with and confirmation from the Cornerstone Investors, the Sole Sponsor is not aware of and does not identify any matters which are materially discrepant from those mentioned above and indication of insufficient funds from the Cornerstone Investors for settlement of the cornerstone investments.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**CI Lock-Up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investor Agreements ("**Relevant CI Shares**") or any direct or indirect interest in any company or entity holding any Relevant CI Shares, nor shall it agree or contract to, or publicly announce any intention to enter into a transaction in any way with a third party for the disposal of any Relevant CI Shares or any direct or indirect interest in any company or entity holding any of the Relevant CI Shares, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the CI Lock-Up Period restriction.

FUTURE PLANS

Please refer to the section headed "Business — Corporate strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.1 per Share, being the mid-point of the Offer Price range between HK$1.0 and HK$1.2, we expect to receive net proceeds from the Global Offering of approximately HK$100.0 million, after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

We intend to use such net proceeds as follows:

(i) Approximately HK$34.8 million (or approximately 34.8% of our net proceeds) will be used for financing the upfront costs at the early period of the New Projects to manage the cashflow mismatch between salaries payment of wages and collection of sales receipt as we intend to bid and undertake 19 more New Projects from both the government and non-government sectors since the second half of 2019 to expand our business and capture market shares. As at 31 August 2019, the New Projects comprise one new street cleaning service project, one new park and recreation centers cleaning service project, and two other cleaning service projects of the government sector customers with expected monthly contract sum ranged from approximately HK$0.6 million to HK$6.0 million and 15 commercial cleaning projects, including shopping malls, residential, commercial and institutional buildings of new customers with expected monthly contract sum ranged from approximately HK$0.2 million to HK$2.0 million. The Group has yet to submit the tenders or quotation for the New Projects save for one tender contract from a government sector customer and three tender contracts from non-government sector customers. The expected upfront costs to be incurred would be approximately HK$66.3 million which are estimated based on (i) the expected labour costs for frontline workers that are estimated based on average ratio (being historical direct labour costs to revenue) of estimated monthly revenue of respective projects for a three-month period (with reference to the historical pattern that labour costs are required to be settled shortly after the first month end and the accounts receivable turnover days of around three months); and (ii) the expected material procurement costs that are estimated based on the average ratio (being historical material procurement and transportation costs to revenue) of estimated monthly revenue of respective projects for a one-month period (with reference to the latest accounts payable turnover days of around two months and accounts receivable turnover days of around three months). Details of 19 New Projects are set out as follows:

	Name of project	Type of project	Expected date of tender submission *(Note 1)*	Expected tender result announcement date *(Note 2)*
Government sector				
1 . . .	New Project A	Street cleaning	Third quarter 2019	Fourth quarter 2019
2 . . .	New Project B	Other cleaning	Fourth quarter 2019	First quarter 2020
3. . .	New Project C	Park and recreational centre cleaning	First quarter 2020	First quarter 2020
4 . . .	New Project D	Other cleaning	Second quarter 2020	Third quarter 2020
Non-government sector				
5 . . .	New Project E	Building cleaning	Third quarter 2019	Fourth quarter 2019
6 . . .	New Project F	Building cleaning	Fourth quarter 2019	Fourth quarter 2019
7 . . .	New Project G	Building cleaning	Third quarter 2019	Fourth quarter 2019
8 . . .	New Project H	Building cleaning	Third quarter 2019	Fourth quarter 2019
9 . . .	New Project I	Building cleaning	Third quarter 2020	Fourth quarter 2020
10 . .	New Project J	Building cleaning	Fourth quarter 2019	First quarter 2020
11 . .	New Project K	Building cleaning	Fourth quarter 2019	First quarter 2020
12 . .	New Project L	Building cleaning	First quarter 2020	First quarter 2020
13 . .	New Project M	Building cleaning	First quarter 2020	First quarter 2020
14 . .	New Project N	Building cleaning	First quarter 2020	Second quarter 2020
15 . .	New Project O	Building cleaning	First quarter 2020	Second quarter 2020
16 . .	New Project P	Institutional cleaning	First quarter 2020	Second quarter 2020
17 . .	New Project Q	Building cleaning	Second quarter 2020	Third quarter 2020
18 . .	New Project R	Building cleaning	Second quarter 2020	Third quarter 2020
19 . .	New Project S	Institutional cleaning	Third quarter 2020	Third quarter 2020
Total expected contract sum of the 19 New Projects: *(Note 3)*				**HK$735.9 million**

Notes:

1. The expected date of tender submission is estimated based on the industry norm that tender exercise normally commences approximately at least three months before the termination date of the previous tender contract of the same project, combined with the management's understanding on the termination date of the previous tender contract based on their industry experience.

2. The expected tender results announcement date is estimated based on the management's understanding on the historical practice of the relevant client and industry norm that tender results are normally announced around one to two months before the commencement of the project.

3. The total expected contract sum was calculated based on the understanding of the management, with reference to historical bidding price of the similar or same projects taking into account the rates of inflation and recent rise in the minimum wage.

(ii) approximately HK$19.0 million (or approximately 19.0% of our net proceeds) will be used for enhancing our operational efficiency and quality of our environmental hygiene service. Approximately HK$14.4 million will be used for upgrading our hardware and software to improve our management of frontline workers, operation and data security, of which costs of upgrading the hardware and the software will amount to HK$8.2 million and HK$6.2 million, respectively. Specifically, we intend to implement an attendance monitoring system and deploy devices for frontline workers to monitor their attendance, a fleet management system for tracking the activities of our motor vehicles, and a data integration system to consolidate and process real-time information to facilitate centralised management, analysis and record keeping in headquarter to enhance our operational management. We expect that the aforesaid software and hardware deployment could enhance the accuracy of our data, allow us to have better management of our resources and planning and the monitoring of our motor vehicles and frontline workers and improve data security and operational efficiency. We expect to engage the system developer during the third quarter of the year 2019 for system development and the completion of which is expected to be taken place in the second quarter of 2020 for usage and we will further procure the devices for frontline workers accordingly. In addition, approximately HK$4.6 million will be used for recruiting additional talents mainly for contracting and operation department in order to strengthen our business relationship and extension of network with customers and increase our manpower to handle operational and administrative matters to cope with our business growth and enhance the quality of our service. In particular, we plan to strengthen our manpower by hiring two managers with at least five years of relevant experience and two senior officers for preparation of tender for New Projects, business development and marketing to assist in soliciting sales and maintaining relationship with and understanding needs from clients for the New projects. Having bolstered such sales effort and leveraged on their sales network and industry knowledge, our Directors consider our Group can stand better chance in securing the New Projects and catering for customer preference in rendering services at their satisfaction which could strengthen relationship with these customers and in turns expose our Group to more potential projects. We also plan to hire two project managers with at least five years of relevant experience, two operation officers and one supervisor to supervise frontline workers for undertaking New Projects. We also plan to hire four administrative staff to handle administrative work to cater for the increase in the number of our frontline workers for undertaking New Projects. We expect to start to recruit the relevant personal shortly after the Listing;

(iii) approximately HK$17.4 million (or approximately 17.4% of our net proceeds) will be used for acquiring suitable new specialised motor vehicles. Details of which are set out as below and in the paragraph headed "Business — Corporate Strategies — Enhance our ability to undertake new projects and improve our operational efficiency" in this prospectus, mainly for rendering environmental hygiene service for undertaking the New Projects which is estimated based on historical purchase pattern of relevant projects;

Type of motor vehicles to be acquired	Number of motor vehicles to be acquired	Expected acquisition costs of the motor vehicles to be acquired *(Note 2)*
		HK$' million
Light goods vehicles	17	7.5
Hook-lift trucks	4	3.5
Tail-lift trucks	2	1.2
Other *(Note 1)*	5	5.2
Total	28	17.4

Notes:

1. The other types of motor vehicles include grab-tippers, water wagons, road sweepers, arrow board vehicles and mini water wagons.

2. The expected acquisition costs of the motor vehicles to be acquired was estimated based on quotations obtained by our Group in early 2019.

(iv) approximately HK$17.0 million (or approximately 17.0% of our net proceeds) will be used for development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of a fleet of specialised vehicles. The total amounts required for the establishment or acquisition should be determined based on, among others, scales, facilities and manpower involved.

In the event that our Group chooses to purchase motor vehicles for waste management business, our Group intends to run a fleet of not less than 16 specialised motor vehicle (i.e. refuse compaction vehicles). Based on the prevailing market price per refuse compaction vehicles of approximately HK$1.3 million, it is estimated that total costs for purchasing relevant motor vehicles should be no less than approximately HK$21.0 million depending on the size of the fleet, of which approximately 13 motor vehicles in the amount of around HK$17.0 million will be funded by IPO proceeds and the remaining motor vehicles in the estimated amount of approximately HK$4.0 million or above by our Group's internal resources, when available. Apart from acquisition of the aforesaid motor vehicles acquisition costs, our Group has to reserve working capital for upfront costs for labour, fuel, maintenance and other operating costs, which shall be funded by our Group's internal resources.

In the event that our Group chooses to acquire waste management business directly, our Group intends to run a fleet of not less than 16 specialised motor vehicle to cater for combined operation in waste management business of our Group and the target business. Our Group targets for acquisition of waste management business with (i) targeted price range of approximate HK$17.0 million or more, with reference to the prevailing market price of the relevant motor vehicles and the factors as set out in this section below; (ii) possession of not less than 16 specialised motor vehicles; (iii) annual revenue scale of not less than HK$20.0 million; (iv) the average remaining useful lives of the specialised motor vehicles are 3 years or more; and (v) the payback period for such acquisition is approximate to the average remaining useful lives of specialised motor vehicles. It is estimated that total costs for such acquisition should amount to approximately HK$17.0 million or more depending on the size of the fleet and is planned to be finance by proceeds from the Global Offering and any acquisition cost in excess of HK$17.0 million will be funded by our Group's internal resources. In addition to the aforesaid acquisition costs, our Group has to reserve working capital for upfront costs for labour, fuel, maintenance and other operating costs, which shall be funded by our Group's internal resources. To run a fleet of the subject scale, our Group plans to hire not less than one driver and one worker for each vehicle and will allocate existing staff to assist the operation of the new waste management business and plans to bid for projects in the waste management market immediately after our Group's waste management business having been developed in particular the projects from the potential customers who have indicated their interests in engaging our Group to provide such services as mentioned above and other suitable government and commercial projects then available in the market.

We plan to spend capital expenditure by stages within 24 months after Listing. The total costs for capital and upfront expenditures depend on the scale of the fleet, whether our Group opt to purchase relevant motor vehicles or acquire waste management business and the number of new waste management projects secure by our Group. We plan to finance such expenditure by the proceeds from the Global Offering and any shortfall in funding would be financed by our internal resources and finance leases. Our Directors consider that such development is able to diversify our business along the value chain and create synergies to our existing businesses. Nevertheless, if any potential and suitable opportunities arises, after balancing the cost and benefits, we may acquire a waste management business instead of setting up the fleet on our own, with selection criteria of, among others, the number of motor vehicles available for waste collection services, the remaining useful lives of those motor vehicles, the number of waste collection services contracts in hand, the financial position and performance of the potential acquisition target, the expected payback period of the acquisition and the competence of the operation team of the potential acquisition target.

Our Directors will consider various factors when it decides whether to procure motor vehicles for waste management services or to acquire a waste management business, including:

1) the startup cost and time required for our Group to build the waste management business by itself;

2) the number and status of motor vehicles owned by the target waste management business;

3) whether the target waste management business has developed a competent management team; and

4) the size of the clientele and pipeline projects possessed by the target waste management business and whether it can create synergy effect to our Group.

Our executive Directors will be responsible for evaluating the potential acquisition targets and making recommendations to the Board for approval. If there is any shortfall, we may finance such shortfall by internal cash resources, working capital and/or bank borrowings;

(v) approximately HK$5.8 million (or approximately 5.8% of our net proceeds) will be used for the purchase of suitable new automated cleaning machineries and equipment, details of which are set out as below and in the paragraph headed "Business — Corporate Strategies — Enhance our ability to undertake new projects and improve our operational efficiency" in this prospectus, mainly for rendering environmental hygiene service for undertaking New Projects which is estimated based on historical purchase pattern of relevant projects; and

Type of machineries to be acquired	**Number of machineries to be acquired**
Air blower	106
Water suction machine	89
Vacuum cleaner	231
Single Disc Scrubber	78
Other *(Note)*	194
Total	698

Note: The other types of machineries include but not limited to high pressure washer, floor washing machine, carpet drying machine, marble floor polishing machine, handrail elevator cleaner, streamer, electric ride type floor cleaners/scrubber dryer, electric articulated lifting platform and electric carry type floor cleaner/scrubber dryer.

(vi) the remaining amount of approximately HK$6.0 million (or approximately 6.0% of our net proceeds) will be used for general working capital.

The following table sets forth a detailed breakdown of the use of proceeds for the period from the Listing Date to 31 March 2021:

	Amount of net proceeds to be utilised for the			
	period from the Listing Date to 31 March 2020	six months ending 30 September 2020	six months ending 31 March 2021	Total
	(HK$' million)	(HK$' million)	(HK$' million)	(HK$' million)
For the 19 New Projects *(Note)*				
– financing the upfront costs to be incurred	19.1	15.7	–	34.8
– acquisition of suitable new specialised motor vehicles	8.6	8.4	0.4	17.4
– acquisition of suitable new automated cleaning machineries and equipment	0.9	3.2	1.7	5.8
For enhancing operational efficiency and quality of environmental hygiene service				
– Upgrading hardware and software system	6.9	3.9	3.6	14.4
– Recruiting additional talents	0.6	2.2	1.8	4.6
For development of waste management business	4.0	6.5	6.5	17.0
For general working capital	4.2	1.8	–	6.0
Total	44.3	41.7	14.0	100.0

Note: The amount of net proceeds to be utilised is estimated based on the assumption that all of the 19 New Projects are to be successfully undertaken by our Group.

In the event that the Offer Price is set at the high end of the Offer Price range, the net proceeds of the Global Offering will increase to approximately HK$150.0 million, whereas the net proceeds will decrease to approximately HK$125.0 million as the Offer Price is set at the low end. Under such circumstances, we will accordingly increase or decrease the allocation of the intended use of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

HONG KONG UNDERWRITERS

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Southwest Securities (HK) Brokerage Limited
Huajin Securities (International) Limited
Elstone Securities Limited

Co-lead Manager

KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 26 September 2019. As described in the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been entered into and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice in writing from the Joint Global Coordinators to our Company, for themselves and on behalf of the Hong Kong Underwriters, if prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there has come to the notice of the Joint Global Coordinators that:

(i) any statement contained in this prospectus, the Application Forms, and/or in any notices or announcements, advertisements or communications issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become or been discovered to be untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or in any notices or announcements, advertisements or communications issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission in this prospectus, the Application Forms and/or in any notices or announcements, advertisements or communications issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than upon any of the Hong Kong Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of Hong Kong Huafa, HJ Capital (International) and Canvest (China) arising out of or in connection with the breach of any of the obligations in the Hong Kong Underwriting Agreement; or

(v) any contravention by any member of our Group of the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or any of the Listing Rules which has resulted in or would result in a material adverse change, or any development involving a prospective material adverse change, in the financial or operational condition or in the earnings, business affairs or business prospects, assets or liabilities of our Company or any member of our Group as a whole; or

(vi) a material contravention by any member of our Group of, or non-compliance of this prospectus (or any other documents used in connection with the Hong Kong Public Offering) or any aspect of the Global Offering with, the Listing Rules or applicable laws; or

(vii) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings of our Company, Hong Kong Huafa, HJ Capital (International) and Canvest (China) set out in the Hong Kong Underwriting Agreement; or

(viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) our Company withdraws this prospectus or the Global Offering; or

(x) any person (other than the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Hong Kong Underwriters or the Sole Sponsor) has withdrawn its consent to being named in this prospectus or to the issue of this prospectus, with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be); or

(b) there develops, occurs, exists or comes into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, or any other jurisdiction relevant to our Group (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change, or development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of our Company or generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any new law, or any change or development involving a prospective change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdictions; or

(viii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(ix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman of the Board and/or chief executive officer of our Company vacating their offices where the operations of our Company may be adversely affected; or

(xi) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xii) a prohibition on our Company for whatever reason from offering, allotting or issuing any of the Shares pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xiv) any materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus or the occurrence of any such events therein; or

(xv) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xvi) the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, being withdrawn, terminated or cancelled, which, individually or in the aggregate, in the reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will have or is likely to have a material adverse change, or any development involving a prospective material adverse change, in the financial or operational condition or in the earnings, business affairs or business prospects, assets or liabilities of our Company or any member of our Group as a whole; or (2) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into our equity securities or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders (excluding HSBC International Trustee Limited) has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering, that it shall not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Parent Shares**"); or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, (i) he/she or it would cease to be our controlling shareholder (as defined in the Listing Rules), or (ii) (in respect of Huafa Controlling Shareholders), it would together with the other Huafa Controlling Shareholders cease to be a group of controlling shareholders of our Company, or (iii) (in respect of Canvest Controlling Shareholders) he/she/it would together with the other Canvest Controlling Shareholders cease to be a group of controlling shareholders of our Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders (excluding HSBC International Trustee Limited) has undertaken to us and to the Stock Exchange that, during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she or it will:

(a) if he/she or it pledges or charges any of our Shares or securities beneficially owned by him/her or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

(b) if he/she or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged Shares or securities will be disposed of, immediately inform us of such indications.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Hong Kong Underwriters that except for the offer of the Offer Shares pursuant to the Global Offering, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, unless with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase any Shares, as applicable), or repurchase any Shares or other securities of our Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a) or (b) above,

in each case, whether any of the transactions specified in (a) or (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by Hong Kong Huafa, HJ Capital (International) and Canvest (China)

Pursuant to the Hong Kong Underwriting Agreement, each of Hong Kong Huafa, HJ Capital (International) and Canvest (China) has undertaken to each of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Hong Kong Underwriters that:

(i) at any time during the First Six-month Period, it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it and the companies controlled by it (together, the "**Controlled Entities**") not to, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it directly or indirectly through its Controlled Entities (the "**Relevant Securities**"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraph (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraph (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraph (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);

(ii) at any time during the Second Six-month Period, it shall not, and shall procure that the Controlled Entities not to, enter into any of the transactions referred to in sub-paragraph (i) (a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it (i) would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or (ii) (in respect of Huafa Controlling Shareholders) it would together with the other Huafa Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company or (iii) (in respect of Canvest Controlling Shareholders) it would together with the other Canvest Controlling Shareholders cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company;

(iii) in the event that it enters into any of the transactions specified in sub-paragraph (i) (a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-month Period, it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities to, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of Hong Kong Huafa, HJ Capital (International) and Canvest (China) further undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us, the Sole Sponsor and the Joint Global Coordinators in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(b) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by Hong Kong Huafa, HJ Capital (International) and Canvest (China) and disclose such matters by way of an announcement in accordance with the Listing Rules.

Voluntary lock-up undertakings by Controlling Shareholders (other than Hong Kong Huafa, HJ Capital (International) and Canvest (China))

Each of the Controlling Shareholders (other than Hong Kong Huafa, HJ Capital (International) and Canvest (China)) has voluntarily provided an undertaking to the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Hong Kong Underwriters under the same terms as set out in the paragraph headed "Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by Hong Kong Huafa, HJ Capital (International) and Canvest China" in this section.

Indemnity

Our Company has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

Each of Hong Kong Huafa, HJ Capital (International) and Canvest (China) as mere sureties and not principal obligors severally (and not jointly and severally) to the extent of and pro-rata to their respective direct shareholding held in the Company as at the date of the Hong Kong Underwriting Agreement, unconditionally and irrevocably guarantee due performance by our Company of certain obligations of our Company under the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares.

Under the International Underwriting Agreement, our Company will agree to indemnify the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the International Underwriters and the Sole Sponsor against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters, subject to the terms of the International Underwriting Agreement.

Underwriting Commission and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 6.08% on the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares and discretionary commission (if any). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global Coordinators and the Hong Kong Underwriters.

Based on an Offer Price of HK$1.1 per Share (being the mid-point of the indicative Offer Price range of HK$1.0 to HK$1.2 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by us are estimated to amount to approximately HK$37.5 million in aggregate.

Underwriters' Interests in our Company

Huajin Securities (International), one of the Joint Global Coordinators, is a wholly-owned subsidiary of HJ Capital (International) (i.e. a Huafa Controlling Shareholder). Other than that and save for their respective obligations under the Underwriting Agreements or as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 12,500,000 Offer Shares (subject to reallocation as mentioned below) as described in the paragraph headed "The Hong Kong Public Offering" of this section; and
- the International Offering of 112,500,000 Offer Shares (subject to reallocation as mentioned below) as described in the paragraph headed "The International Offering" of this section.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriter(s) have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement(s). The International Underwriters will severally underwrite the International Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 12,500,000 Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Hong Kong Public Offering, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$1.2 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to professional and institutional investors. Professional and institutional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Global Offering" of this section.

Allocation

For allocation purposes only, the totally number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) will be divided into two pools:

Pool A: The Hong Kong Offer Shares in pool A will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of HK$5 million (excluding the brokerage, Stock Exchange trading fee and SFC transaction levy payable) or less.

Pool B: The Hong Kong Offer Shares in pool B will consist of 6,250,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of more than HK$5 million (excluding the brokerage, Stock Exchange trading fee and SFC transaction levy payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple or suspected multiple applications and any application for more than 6,250,000 Hong Kong Offer Shares (being 50% of the 12,500,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Application

An applicant for Shares under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering. Applicants should note that if the said undertaking and/or confirmation is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is liable to be rejected.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.2 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing and Allocation" below, is less than the maximum price of HK$1.2 per Offer Share, appropriate refund payment (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The Company is initially offering 112,500,000 International Offer Shares (subject to reallocation) under the International Offering, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is fully underwritten by the International Underwriter(s) subject to the Offer Price being agreed on or before the Price Determination Date. Investors subscribing for the International Offer Shares are also required on application to pay the maximum Offer Price of HK$1.2 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

Allocation

It is expected that the International Underwriter(s), or selling agents nominated by them, on behalf of the Company, will conditionally place the International Offer Shares at the Offer Price with selected professional and institutional investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers as defined in Rule 144A. Private investors applying through banks or other institutions who sought the International Offer Shares in the International Offering may also be allocated the International Offer Shares. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares will be effected in accordance with the "book-building" process described in the section headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Offer Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offering.

The Company, the Directors, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive Shares under the International Offering, and to identify and reject indications of interest in the International Offering from investors who receive Shares under the Hong Kong Public Offering. The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

The International Offering is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Global Offering" of this section.

REALLOCATION OF THE OFFER SHARES

Pursuant to Guidance Letter HKEX-GL91-18 and Practice Note 18 of the Listing Rules, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) Where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such amount as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) deem appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 25,000,000, representing 20% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 25,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 37,500,000, representing 30% of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Hong Kong Public Offering, then 37,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 50,000,000, representing 40% of the Offer Shares initially available under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then 50,000,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 62,500,000, representing 50% of the Offer Shares initially available under the Global Offering.

(b) Where the International Offer Shares are not fully subscribed:

(i) if the Hong Kong Offer Shares are not fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Hong Kong Public Offering, then up to 12,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 25,000,000, representing 20% of the Offer Shares initially available under the Global Offering.

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation as described in the paragraph headed “Structure and conditions of the Global Offering — Reallocation of the Offer Shares” in this prospectus. The Joint Global Coordinators may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 25,000,000 Offer Shares); and the final Offer Price shall be fixed at the low end of the indicated Offer Price range stated in this prospectus (i.e. HK$1.0 per Offer Share). In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK$1.0 per Offer Share) according to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

In all cases, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deems appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid application under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such proportions as it deems appropriate.

PRICING AND ALLOCATION

Determination of the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be determined by the Price Determination Agreement to be entered into between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Thursday, 3 October 2019 and, in any event, not later than Wednesday, 9 October 2019.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

The Offer Price will not be more than HK$1.2 per Offer Share and is expected to be not less than HK$1.0 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Price Payable on Application

Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$1.2 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK$2,424.18 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$1.2 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money, without any interest) will be made to successful applicants. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by the Price Determination Date, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com** notices of reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Public Offering, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering and the number of Hong Kong Offer Shares and/or the Offer Price range is reduced, you will be entitled to subsequently withdraw your application unless positive confirmation from you is received.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

Announcement of the final Offer Price, the level of indications of interest in the International Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Tuesday, 15 October 2019 on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com**

UNDERWRITING AGREEMENTS

The Global Offering is fully underwritten by the Underwriters under the terms of the Underwriting Agreements, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

The terms of the Underwriting Agreements are summarised in “Underwriting”.

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS, established and operated by the HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares is conditional upon:

1. Listing

The Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agrees in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times); and

(ii) the execution and delivery of the Underwriting Agreements prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If, for any reason, any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.johnsonholdings.com** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, to the applicants on the terms set out in the section headed "Refund of Your Money" in the relevant Application Forms. In the meantime, all application monies will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificate for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**;or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Sponsor, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Thursday, 3 October 2019 from:

(i) any of the following offices of the Joint Global Coordinators:

Southwest Securities (HK) Brokerage Limited	40/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Huajin Securities (International) Limited	Suite 1101, 11/F Champion Tower 3 Garden Road, Central Hong Kong

Elstone Securities Limited	Suite 1601-04, 16/F West Tower, Shun Tak Centre 168-200 Connaught Road Central, Hong Kong

(ii) the office of the Co-lead Manager:

KGI Capital Asia Limited	41/F, Central Plaza 18 Harbour Road, Wanchai Hong Kong

(iii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank of the Company:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
	Kowloon Bay — SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Thursday, 3 October 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited — Johnson Holdings Public Offer" should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 27 September 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 28 September 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 30 September 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 2 October 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 3 October 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 October 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully. Otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (iii) you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO White Form SERVICE

General

Individuals who meet the criteria in "Who Can Apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 September 2019 until 11:30 a.m. on Thursday, 3 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 October 2019 or such later time under the "10. Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number of such Shares allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as an agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for themselves and for the benefit of each Shareholder (and so that the Company will be deemed by it acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 27 September 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Monday, 30 September 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 2 October 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Thursday, 3 October 2019	**—**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Thursday, 3 October 2019 (24 hours daily, except on Thursday, 3 October 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 October 2019 the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Invester Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section in the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Co-lead Manager, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 October 2019.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and Conditions of the Global Offering—Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- an announcement of "extreme conditions" caused by a super typhoon by the Hong Kong Government in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019; and/or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 October 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 15 October 2019 on the website of the Company at **www.johnsonholdings.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of the Company at **www.johnsonholdings.com** and the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 15 October 2019;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 15 October 2019 to 12:00 midnight on Monday, 21 October 2019;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 15 October 2019 to Friday, 18 October 2019 on a business day;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 15 October 2019 to Thursday, 17 October 2019 at all the receiving bank designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Hong Kong Offer Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Joint Global Coordinators or the Sole Sponsor believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.2 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 15 October 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/ collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 15 October 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 16 October 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2019 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 15 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 15 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in

"Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 October 2019 or such other date as notified by the Company as the date of despatch/ collection of Share certificates/ e-Auto Refund payment instructions/ refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 15 October 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 15 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Tuesday, 15 October 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 15 October 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 15 October 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-50, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

RSM
29th floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

27 September 2019

The Board of Directors
Hong Kong Johnson Holdings Co., Ltd.

Southwest Securities (HK) Capital Limited

Dear Sirs,

Introduction

We report on the historical financial information of Hong Kong Johnson Holdings Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-50, which comprises the consolidated statements of financial position as at 31 March 2017, 2018 and 2019, the statement of financial position of the Company as at 31 March 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 September 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2019 and the Group's financial position as at 31 March 2017, 2018 and 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which contains information about the dividends paid by Johnson Cleaning Services Company Limited in respect of the Track Record Period.

RSM Hong Kong
Certified Public Accountants
Hong Kong

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
		2017	2018	2019
	Note	HK$'000	HK$'000	HK$'000
Revenue	8	1,204,063	1,286,021	1,433,383
Cost of services		(1,115,364)	(1,190,469)	(1,329,857)
Gross profit		88,699	95,552	103,526
Other income	9	1,049	768	327
Other gains and losses	10	8,242	7,269	297
Administrative expenses		(38,304)	(54,876)	(69,006)
Profit from operations		59,686	48,713	35,144
Finance costs	12	(6,967)	(6,785)	(6,908)
Profit before tax		52,719	41,928	28,236
Income tax expense	13	(8,381)	(5,997)	(6,429)
Profit for the year	14	44,338	35,931	21,807
Other comprehensive income for the year, net of tax		—	—	—
Total comprehensive income for the year		44,338	35,931	21,807

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2017	2018	2019
	Note	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	18	14,205	19,447	36,896
Prepaid land lease payments	19	18,920	18,267	17,615
Financial assets at fair value through profit or loss (FVTPL)	20	34,944	17,303	18,570
Total non-current assets		68,069	55,017	73,081
Current assets				
Prepaid land lease payments	19	652	652	652
Account receivables	21	186,359	236,794	268,763
Prepayments, deposits and other receivables	22	5,726	5,666	8,411
Current tax assets		—	3,280	1,420
Pledged bank deposits	23	12,816	19,860	16,360
Bank and cash balances	24	59,566	73,929	87,297
Total current assets		265,119	340,181	382,903
Current liabilities				
Account payables	25	12,763	12,271	13,840
Accruals, other payables and provisions	26	113,704	116,303	151,191
Shareholders' loans	27	25,050	—	—
Bank borrowings	28	54,051	115,064	113,749
Finance lease payables	29	2,958	2,172	2,715
Current tax liabilities		1,465	—	—
Total current liabilities		209,991	245,810	281,495
Net current assets		55,128	94,371	101,408
Total assets less current liabilities		123,197	149,388	174,489

		As at 31 March		
		2017	2018	2019
	Note	HK$'000	HK$'000	HK$'000
Non-current liabilities				
Provisions	26	3,244	2,834	3,097
Finance lease payables	29	593	6,303	7,437
Deferred tax liabilities	30	1,069	1,029	2,926
Total non-current liabilities		4,906	10,166	13,460
NET ASSETS		118,291	139,222	161,029
Equity				
Share capital	31	10,200	10,200	3,750
Reserves		108,091	129,022	157,279
TOTAL EQUITY		118,291	139,222	161,029

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2019 HK$'000
Non-current assets		
Investment in a subsidiary		157,699
Current liabilities		
Accruals		28
NET ASSETS		157,671
Equity		
Share capital	31	3,750
Reserves	32(b)	153,921
TOTAL EQUITY		157,671

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merger reserve	Retained earnings	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000
		(note 32(c)(i))		
At 1 April 2016	10,200	—	63,753	73,953
Profit and total comprehensive income for the year	—	—	44,338	44,338
Changes in equity for the year	—	—	44,338	44,338
At 31 March 2017 and 1 April 2017	10,200	—	108,091	118,291
Profit and total comprehensive income for the year	—	—	35,931	35,931
Dividend paid *(note 16)*	—	—	(15,000)	(15,000)
Changes in equity for the year	—	—	20,931	20,931
At 31 March 2018 and 1 April 2018	10,200	—	129,022	139,222
Group Reorganisation	(6,450)	6,450	—	—
Profit and total comprehensive income for the year	—	—	21,807	21,807
Changes in equity for the year	(6,450)	6,450	21,807	21,807
At 31 March 2019	3,750	6,450	150,829	161,029

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Profit before tax	52,719	41,928	28,236
Adjustments for:			
Depreciation	7,719	6,737	6,001
Amortisation of prepaid land lease payments	652	653	652
Fair value gain on financial assets at FVTPL	(3,617)	(975)	(279)
Finance costs	6,967	6,785	6,908
Interest income	(78)	(49)	(125)
Dividend income from financial assets at FVTPL	(646)	(518)	(101)
Gain on disposals/written off of property, plant and equipment, net	(4,625)	(783)	(18)
Gain on disposal of financial assets at FVTPL	—	(5,511)	—
(Reversal of allowance)/allowance for account receivables	(197)	34	(130)
Provision for employee benefits	18,272	7,194	11,566
Operating profit before working capital changes	77,166	55,495	52,710
Decrease/(increase) in account receivables	3,802	(50,469)	(31,839)
Decrease/(increase) in prepayments, deposits and other receivables	344	60	(2,745)
(Decrease)/increase in account payables	(119)	(492)	1,569
(Decrease)/increase in accruals and other payables	(11,199)	(5,005)	23,585
Cash generated from/(used in) operations	69,994	(411)	43,280
Income taxes paid	(10,256)	(10,782)	(2,672)
Net cash generated from/(used in) operating activities	59,738	(11,193)	40,608

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits	16,806	(7,044)	3,500
Interest received	78	49	125
Dividend received from financial assets at FVTPL	646	518	101
Purchases of property, plant and equipment	(1,719)	(2,588)	(18,714)
Proceeds from disposals/written off of property, plant and equipment	5,677	912	18
Purchases of financial assets at FVTPL	(2,332)	(984)	(988)
Proceeds from disposals of financial assets at FVTPL	—	25,111	—
Net cash generated from/(used in) investing activities	19,156	15,974	(15,958)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of shareholders' loans	—	(25,050)	—
Drawdown of bank loans	24,864	113,575	67,673
Repayment of bank loans	(38,379)	(68,408)	(83,503)
Increase in factoring loans	884	15,846	14,515
Repayment of finance lease payables	(7,743)	(4,596)	(3,059)
Interest paid	(6,967)	(6,785)	(6,908)
Dividend paid	—	(15,000)	—
Net cash (used in)/generated from financing activities	(27,341)	9,582	(11,282)
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,553	14,363	13,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,013	59,566	73,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	59,566	73,929	87,297
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	59,566	73,929	87,297

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

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 is an investment holding company. The Group is engaged in provision of cleaning, janitorial and other related services.

In the opinion of the directors of the Company, as at 31 March 2019, Zhuhai Huafa Group Company Limited, a company incorporated in the PRC, is the ultimate parent of the Company.

Upon completion of the Group Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure", the Company has direct and indirect interests in the subsidiaries as set out below:

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing At 31 March			Principal Activities
				2017	2018	2019	
Directly held:							
Johnson Investment Holding Co., Ltd. ("**Johnson BVI**")	British Virgin Islands ("**BVI**")	10 August 2018	HK$2	—	—	100%	Investment holding
Indirectly held:							
Johnson Cleaning Services Company Limited ("**Johnson**").	Hong Kong	10 March 1989	HK$10,200,000	100%	100%	100%	Provision of cleaning, janitorial and other related services

The statutory financial statements of Johnson for the years ended 31 March 2017 and 31 March 2019 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by RSM Hong Kong, certified public accountants registered in Hong Kong in accordance with HKSAs issued by the HKICPA.

The statutory financial statements of Johnson for the year ended 31 March 2018 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Linkers CPA Limited, certified public accountants registered in Hong Kong in accordance with HKSAs issued by the HKICPA.

No statutory financial statements have been prepared by the Company and Johnson BVI for the Track Record Period as there is no statutory audit requirement in the country of its incorporation.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs issued by the HKICPA. HKFRSs comprises Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Significant accounting policies adopted by the Group are discussed below.

In the preparation for the proposed listing of its shares on the Main Board of the Stock Exchange ("**Listing**"), the Group has undergone the Group Reorganisation, as more fully explained in the section headed ''History, Reorganisation and Corporate Structure'' to the prospectus. Pursuant to the Group Reorganisation, the Company became the holding company of the companies now comprising the Group on 29 November 2018.

As the Group Reorganisation involved only the insertion of new holding companies on top of the existing company and did not result in any change in economic substance in terms of the ownership and control of the Group, the Historical Financial Information has been prepared as a continuation of the existing company using the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as at 31 March 2017, 2018 and 2019 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence on those dates.

There was no adjustment made to the net assets nor the net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group's accounting policies.

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

(a) Application of new and revised HKFRSs

During the Track Record Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 April 2018.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. The directors anticipate that the new and revised HKFRSs will be adopted in the Historical Financial Information when they become effective.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28 (2011) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption
HKFRS 16 Leases	1 January 2019
HKFRS 17 Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 -2017 Cycle	1 January 2019

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate comparative amounts prior to first adoption. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group plans to use the following practical expedients at the date of transition to HKFRS 16:

– Not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months as of the date of initial application.

– To apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

– To exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

– To use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's warehouse and parking spaces leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35, the Group's future minimum lease payments under non-cancellable operating leases for its warehouse and parking spaces amounted to HK$362,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. During the year ended 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16 at 1 April 2019 and does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's financial position and performance.

(c) New and revised HKFRSs adopted by the Group

HKFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has reviewed its financial assets and liabilities and has elected to early apply HKFRS 9 which has been applied consistently throughout the Track Record Period.

HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has elected to early apply HKFRS 15 which has been applied consistently throughout the Track Record Period.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has 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 Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes 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.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

(b) 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 Historical Financial Information is 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 items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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.

(c) 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 statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 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.

(d) Leases

The Group as lessee

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statements of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(e) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(f) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the consolidated statements of profit or loss as applicable.

(g) Account and other receivables

Account receivables are amounts due from customers for services performed in the ordinary course of business. If collection of account and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Account and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(h) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability under HKFRSs. The accounting policies adopted for specific financial liabilities are set out below.

(j) 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.

(k) 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.

(l) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

The Group recognises revenue under HKFRS 15 from cleaning, janitorial and other related services income. Under the terms of these contracts, the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs and thus these income are recognised over time.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise 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 services.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

(n) 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 cost 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 payment 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.

(o) 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.

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

(p) 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.

(q) 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.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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.

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.

(r) 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 statements 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.

(s) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, account and other receivables). While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Financial assets measured at fair value, including financial assets at FVTPL are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, account and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for account receivables are always measured at an amount equal to lifetime ECLs. ECLs 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 and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 30 days past due. 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.

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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.

Basis of calculation of interest income

Interest income recognised in accordance with note 4(m) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(t) 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.

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.

(u) 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 are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

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 amounts of property, plant and equipment as at 31 March 2017, 2018 and 2019 were HK$14,205,000, HK$19,447,000 and HK$36,896,000 respectively.

(b) Impairment loss for bad and doubtful debts

The Group recognises lifetime ECL for account receivables, 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. 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 2017, 2018 and 2019, accumulated impairment loss for bad and doubtful debts amounted to HK$536,000, HK$570,000 and HK$440,000 respectively.

(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 years ended 31 March 2017, 2018 and 2019, income tax of HK$8,381,000, HK$5,997,000 and HK$6,429,000 was charged to profit or loss based on the estimated profit respectively.

(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 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 2017, 2018 and 2019, provision for employee benefits amounted to HK$23,225,000, HK$19,078,000 and HK$25,668,000 respectively.

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 different 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% higher/lower, consolidated profit after tax for the years ended 31 March 2017, 2018 and 2019 would increase/decrease by HK$1,085,000, HK$103,000 and HK$99,000 respectively as a result of the changes in fair value of financial assets at FVTPL.

(c) Credit risk

The credit risk on pledged bank deposits, bank balances and financial assets at FVTPL is limited because the counterparties are either banks with high credit-ratings assigned by international credit-rating agencies or well-established securities broker firms in Hong Kong or well-known international insurance companies.

As at 31 March 2017, 2018 and 2019, the Group has concentration of credit risk on account receivables as 43%, 48% and 53% of the Group's total account receivables was due from the Group's five largest customers respectively.

The Group reassess the lifetime ECL for account receivables at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

For other receivables, the Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under lifetime ECL method based on the Group's assessment on the risk of the default of that counterparty. Thus, no impairment loss for bad and doubtful debts on other receivables is recognised as at 31 March 2017, 2018 and 2019.

The Group applied credit risk modelling upon adoption of HKFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis.

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers available reasonable supportive forwarding looking information, including below indicators:

— internal credit rating based on historical information

— actual or expected significant changed in the operating results of the debtors

— significant changes in the expected performance and behavior of the debtors, include changes in the payment status of debtors

The Group applies provision matrix to measure the expected credit losses prescribed by HKFRS 9. The expected credit loss rates applied in the provision matrix are derived according to the debtors' characteristics, including their trading history with the Group and existence of default history. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected and the Group's view of economic conditions over the credit characteristics of the debtors.

The identified impairment loss on account receivables under HKFRS 9 simplified approach was set out in Note 21 to the Historical Financial Information.

(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:

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 31 March 2017				
Account payables	12,763	—	—	12,763
Accruals and other payables	93,724	—	—	93,724
Shareholders' loans	25,050	—	—	25,050
Bank borrowings *(note)*	54,051	—	—	54,051
Finance lease payables	3,233	531	131	3,895
At 31 March 2018				
Account payables	12,271	—	—	12,271
Accruals and other payables	98,146	—	—	98,146
Bank borrowings *(note)*	115,064	—	—	115,064
Finance lease payables	2,387	2,089	4,764	9,240
At 31 March 2019				
Account payables	13,840	—	—	13,840
Accruals and other payables	123,942	—	—	123,942
Bank borrowings *(note)*	113,749	—	—	113,749
Finance lease payables	3,113	2,988	4,886	10,987

Note: Bank borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. At 31 March 2017, 2018 and 2019, the aggregate undiscounted principal amounts of these bank loans amounted to HK$54,051,000, HK$115,064,000 and HK$113,749,000 respectively. 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 borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2017.					
Bank borrowings	54,806	240	616	822	56,484
At 31 March 2018.					
Bank borrowings	116,710	258	656	795	118,419
At 31 March 2019.					
Bank borrowings	114,983	356	888	883	117,110

(e) Interest rate risk

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

At 31 March 2017, 2018 and 2019, if interest rates had been 50 basis points lower/higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$149,000, HK$410,000 and HK$364,000 higher/lower respectively, arising mainly as a result of lower/higher interest expense on bank borrowings.

(f) Categories of financial instruments

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Financial assets:			
Financial assets at amortised cost	262,939	334,836	375,961
Financial assets at FVTPL	34,944	17,303	18,570
Financial liabilities:			
Financial liabilities at amortised cost. . . .	185,588	225,481	251,531

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements 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.

There was no transfer between Level 2 and Level 3 during the Track Record Period.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:		Total
Description	**Level 2**	**Level 3**	**31 March 2017**
	HK$'000	**HK$'000**	**HK$'000**
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Investments in unlisted unit trusts	21,700	—	21,700
Investments in life insurance	—	13,244	13,244
Total	21,700	13,244	34,944

	Fair value measurements using:		Total
Description	**Level 2**	**Level 3**	**31 March 2018**
	HK$'000	**HK$'000**	**HK$'000**
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Investments in unlisted unit trusts	2,066	—	2,066
Investments in life insurance	—	15,237	15,237
Total	2,066	15,237	17,303

Description	Fair value measurements using: Level 2	Level 3	Total 31 March 2019
	HK$'000	HK$'000	HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,981	—	1,981
Investments in life insurance	—	16,589	16,589
Total	1,981	16,589	18,570

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

	As at 31 March 2017	2018	2019
	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL			
Investments in life insurance			
At beginning of year	9,767	13,244	15,237
Additions	2,332	984	988
	12,099	14,228	16,225
Total gains recognised in profit or loss	1,145	1,009	364
At end of year	13,244	15,237	16,589

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains and losses in the consolidated statements 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 financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least once a year.

Level 2 fair value measurements

Description	Valuation technique	Assets fair value As at 31 March 2017	2018	2019
		HK$'000	HK$'000	HK$'000
Investments in unlisted unit trusts	Derived from quoted unit prices	21,700	2,066	1,981

Level 3 fair value measurements

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

Based on historical change in the cash surrender value of the insurance policies, there is an average increase in cash surrender value of approximately 6% per annum during the Track Record Period. Applying this percentage of increase/decrease in cash surrender value, the Group's consolidated profit for the years and retained earnings would be increased/decreased by HK$795,000, HK$914,000, and HK$995,000 for the years ended 31 March 2017, 2018 and 2019.

During the Track Record Period, there were no changes in the valuation techniques used.

8. REVENUE

(a) Disaggregation of revenue

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15			
Cleaning, janitorial and other related services income	1,204,063	1,286,021	1,433,383
Timing of revenue recognition			
Services transferred over time	1,204,063	1,286,021	1,433,383

(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 2017, 2018 and 2019 and the expected timing of recognising revenue is as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Within one year	763,774	1,053,743	1,079,723
More than one year but not more than two years	348,697	406,548	529,822
More than two years	47,629	81,261	238,674
	1,160,100	1,541,552	1,848,219

9. OTHER INCOME

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Interest income	78	49	125
Dividend income from financial assets at FVTPL	646	518	101
Government subsidies *(note)*	325	151	101
Sundry income	—	50	—
	1,049	768	327

Note: The amounts represented the ex-gratia payments for the retirement of certain motor vehicles received from the Government of the Hong Kong Special Administrative Region.

10. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Gain on disposals/written off of property, plant and equipment, net	4,625	783	18
Fair value gain on financial assets at FVTPL	3,617	975	279
Gain on disposal of financial assets at FVTPL	—	5,511	—
	8,242	7,269	297

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 Track Record Period.

Revenue from major customers:

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

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Customer A	365,519	317,177	398,610
Customer B	256,763	308,962	360,994

12. FINANCE COSTS

	Year ended 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Finance lease charges	479	268	321
Interest on bank borrowings	5,189	5,787	6,587
Interest on shareholders' loans	1,299	730	—
	6,967	6,785	6,908

13. INCOME TAX EXPENSE

	Year ended 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Current tax — Hong Kong Profits Tax			
Provision for the year	9,398	6,088	4,532
Over-provision in prior years	(51)	(51)	—
	9,347	6,037	4,532
Deferred tax *(note 30)*	(966)	(40)	1,897
	8,381	5,997	6,429

Pursuant to the laws and regulations of the Cayman Islands and the 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 2017, 2018 and 2019.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, for the year ended 31 March 2019, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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:

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Profit before tax	52,719	41,928	28,236
Tax at the Hong Kong Profits Tax rate of 16.5%	8,698	6,918	4,659
Tax effect of income that is not taxable	(629)	(1,076)	(83)
Tax effect of expenses that are not deductible	331	251	2,152
Tax concession	(20)	(30)	(165)
Over-provision in prior years	(51)	(51)	—
Others	52	(15)	(134)
Income tax expense	8,381	5,997	6,429

14. PROFIT FOR THE YEAR

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

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Amortisation of prepaid land lease payments	652	653	652
Cost of services *(note a)*	1,115,364	1,190,469	1,329,857
Depreciation	7,719	6,737	6,001
Listing expenses	—	—	12,173
(Reversal of allowance)/allowance for account receivables	(197)	34	(130)
Operating lease charges			
— warehouse and parking spaces	322	334	345
Auditor's remuneration			
— Current	400	180	400
— Under/(over)-provision in prior year	10	—	(80)
	410	180	320
Staff costs including directors' emoluments *(note a)*			
Salaries, bonuses and allowances	967,268	1,059,655	1,158,671
Provision for employee benefits *(note b)*	18,272	7,194	11,566
Retirement benefit scheme contributions	29,151	29,221	29,854
Other benefits	885	781	1,391
	1,015,576	1,096,851	1,201,482

Notes:

(a) For the years ended 31 March 2017, 2018 and 2019, cost of services includes staff costs and depreciation of HK$1,007,684,000, HK$1,076,594,000 and HK$1,181,416,000 respectively which are included in the amounts disclosed separately.

For the years ended 31 March 2017, 2018 and 2019, staff costs (excluding directors' emoluments) amounted to HK$20,127,000, HK$23,217,000 and HK$23,529,000 and directors' emoluments amounted to HK$4,784,000, HK$14,110,000 and HK$12,200,000, were included in administrative expenses respectively. For further details of the breakdown of administrative expenses of the Group for the years ended 31 March 2017, 2018 and 2019, please refer to the section headed "Financial Information — Selected line items in the consolidated statements of profit or loss and other comprehensive income — Administrative expenses" of the prospectus.

(b) Provision for employee benefits includes unutilised annual leave, estimated long service payments and redundancy cost.

15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director was as follows:

	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking				
Name of director	**Fees**	**Salaries**	**Discretionary bonuses**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
For the year ended 31 March 2017					
Mr. Cheung Kam Chiu	—	1,920	160	312	2,392
Mr. Szeto Wing Tak	—	1,920	160	312	2,392
Ms. Li Yanmei	—	—	—	—	—
Mr. Xie Hui	—	—	—	—	—
Mr. Ye Ning	—	—	—	—	—
	—	3,840	320	624	4,784
For the year ended 31 March 2018					
Mr. Cheung Kam Chiu	—	2,880	3,767	408	7,055
Mr. Szeto Wing Tak	—	2,880	3,767	408	7,055
Ms. Li Yanmei	—	—	—	—	—
Mr. Xie Hui	—	—	—	—	—
Mr. Ye Ning	—	—	—	—	—
Ms. Xu Jili (appointed on 18 April 2017)	—	—	—	—	—
Ms. Lee Wing Yee Loretta (appointed on 26 March 2018)	—	—	—	—	—
Ms. Wong Ling Fong Lisa (appointed on 26 March 2018)	—	—	—	—	—
	—	5,760	7,534	816	14,110

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
	Fees	Salaries	Discretionary bonuses	Retirement benefit scheme contributions	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2019					
Mr. Cheung Kam Chiu	—	3,380	2,213	507	6,100
Mr. Szeto Wing Tak	—	3,380	2,213	507	6,100
Ms. Li Yanmei	—	—	—	—	—
Mr. Xie Hui	—	—	—	—	—
Mr. Ye Ning	—	—	—	—	—
Ms. Xu Jili	—	—	—	—	—
Ms. Lee Wing Yee Loretta	—	—	—	—	—
Ms. Wong Ling Fong Lisa	—	—	—	—	—
Mr. Zhou Wenjie (appointed on 7 May 2018)	—	—	—	—	—
	—	6,760	4,426	1,014	12,200

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the Track Record Period included two directors whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining three individuals are set out below:

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Basic salaries and allowances	2,266	2,008	2,095
Discretionary bonus	280	276	319
Retirement benefit scheme contributions	140	162	175
	2,686	2,446	2,589

The emoluments fell within the following band:

	Number of individuals		
	Year ended 31 March		
	2017	2018	2019
Nil to HK$1,000,000	2	3	3
HK$1,000,001 to HK$1,500,000	1	—	—

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(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 Track Record Period or at any time during the Track Record Period.

16. DIVIDENDS

	Year ended 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Interim dividend, declared and paid	—	15,000	—

The directors of the Group's subsidiary, Johnson, have declared and paid an interim dividend of HK$1.47 per ordinary share in respect of the year ended 31 March 2018.

17. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Group Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as further explained in note 2 to the Historical Financial Information.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Computer and software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 April 2016	7,532	—	3,628	1,514	51,144	—	63,818
Additions	—	—	15	802	—	902	1,719
Written off	—	—	—	—	(512)	—	(512)
Disposals	—	—	—	—	(8,392)	—	(8,392)
At 31 March 2017 and 1 April 2017	7,532	—	3,643	2,316	42,240	902	56,633
Additions	—	196	15	835	10,781	281	12,108
Written off	—	—	—	—	(180)	—	(180)
Disposals	—	—	—	—	(1,414)	—	(1,414)
At 31 March 2018 and 1 April 2018	7,532	196	3,658	3,151	51,427	1,183	67,147
Additions	—	—	—	583	22,867	—	23,450
Disposals	—	—	—	—	(2,029)	—	(2,029)
At 31 March 2019	7,532	196	3,658	3,734	72,265	1,183	88,568

	Buildings	Leasehold improvements	Furniture and equipment	Plant and machinery	Motor vehicles	Computer and software	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation							
At 1 April 2016	1,221	—	3,524	303	37,513	—	42,561
Charge for the year	204	—	72	463	6,890	90	7,719
Written off	—	—	—	—	(452)	—	(452)
Disposals	—	—	—	—	(7,400)	—	(7,400)
At 31 March 2017 and 1 April 2017	1,425	—	3,596	766	36,551	90	42,428
Charge for the year	203	39	18	630	5,729	118	6,737
Written off	—	—	—	—	(179)	—	(179)
Disposals	—	—	—	—	(1,286)	—	(1,286)
At 31 March 2018 and 1 April 2018	1,628	39	3,614	1,396	40,815	208	47,700
Charge for the year	204	39	18	681	4,941	118	6,001
Disposals	—	—	—	—	(2,029)	—	(2,029)
At 31 March 2019	1,832	78	3,632	2,077	43,727	326	51,672
Carrying amount							
At 31 March 2017	6,107	—	47	1,550	5,689	812	14,205
At 31 March 2018	5,904	157	44	1,755	10,612	975	19,447
At 31 March 2019	5,700	118	26	1,657	28,538	857	36,896

At 31 March 2017, 2018 and 2019, the buildings were pledged as security for the Group's bank borrowings.

At 31 March 2017, 2018 and 2019, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to HK$5,576,000, HK$9,122,000 and HK$11,052,000 respectively.

19. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their net book values are analysed as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
At beginning of year	20,224	19,572	18,919
Amortisation of prepaid land lease payments	(652)	(653)	(652)
At end of year	19,572	18,919	18,267
Current portion	(652)	(652)	(652)
Non-current portion	18,920	18,267	17,615

At 31 March 2017, 2018 and 2019, prepaid land lease payments were pledged as security for the Group's bank borrowings.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Unlisted investments			
Financial assets at FVTPL			
Investments in unlisted unit trusts *(Note)*	21,700	2,066	1,981
Investments in life insurance	13,244	15,237	16,589
Analysed as non-current assets	34,944	17,303	18,570

Note: Dividend income of HK$646,000, HK$518,000 and HK$101,000 were received on these investments during the years ended 31 March 2017, 2018 and 2019 respectively.

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. At 31 March 2017, 2018 and 2019, all the unlisted unit trusts were pledged for banking facilities granted to the Group.

Investments in life insurance represent investments in life insurance policies for the key management, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak. 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 surrender value of the life insurance policies at the end of each reporting period. At 31 March 2017, 2018 and 2019, all the investments in life insurance were pledged for banking facilities granted to the Group.

Financial assets at FVTPL are denominated in the following currencies:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
HK$	6,433	2,066	1,981
United States dollars ("**USD**")	28,511	15,237	16,589
	34,944	17,303	18,570

None of these financial assets at FVTPL is impaired.

21. ACCOUNT RECEIVABLES

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Account receivables	186,895	237,364	269,203
Allowance for account receivables	(536)	(570)	(440)
	186,359	236,794	268,763

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

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

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Up to 90 days	177,346	220,065	244,994
91 to 180 days	6,838	13,808	19,812
181 days to 1 year	2,118	1,980	2,935
Over 1 year	593	1,511	1,462
	186,895	237,364	269,203

As at 31 March 2017, 2018 and 2019, HK$24,446,000, HK$42,053,000 and HK$58,180,000 of account receivables were pledged to banks to secure factoring loans as set out in note 28 to the Historical Financial Information respectively.

As at 31 March 2017, 2018 and 2019, account receivables of HK$26,728,000, HK$63,555,000 and HK$84,606,000 respectively were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Up to 90 days	21,347	53,226	70,568
91 to 120 days	1,622	4,019	5,125
121 days to 1 year	3,250	4,834	7,512
Over 1 year	509	1,476	1,401
	26,728	63,555	84,606

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

The Group's loss allowance for account receivables as at 31 March 2017, 2018 and 2019 are as follows:

	Up to 90 days	**91 to 120 days**	**121 days to 1 year**	**Over 1 year**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
At 31 March 2017					
Expected loss rate	0.57%	1.42%	6.62%	34.58%	
Gross carrying amount	21,347	1,622	3,250	509	26,728
Loss allowance	122	23	215	176	536
At 31 March 2018					
Expected loss rate	0.26%	0.27%	1.80%	22.76%	
Gross carrying amount	53,226	4,019	4,834	1,476	63,555
Loss allowance	136	11	87	336	570
At 31 March 2019					
Expected loss rate	0.00%	0.59%	1.30%	22.27%	
Gross carrying amount	70,568	5,125	7,512	1,401	84,606
Loss allowance	—	30	98	312	440

The closing loss allowances for account receivables as at 31 March 2017, 2018 and 2019 reconcile to the opening loss allowance of the Group are as follows:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
At beginning of year	733	536	570
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(197)	34	(130)
At end of year	536	570	440

Transfer of financial assets

The followings were the Group's account receivables as at 31 March 2017, 2018 and 2019 that were transferred to banks by factoring account receivables on recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the account receivables and has recognised the cash received on the transfer as secured factoring loans (note 28). These financial assets were carried at amortised cost in the Group's consolidated statements of financial position.

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Carrying amount of transferred assets	24,446	42,053	58,180
Carrying amount of associated liabilities	(22,001)	(37,847)	(52,362)
Net position	2,445	4,206	5,818

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Prepayments	1,528	1,413	4,870
Deposits	3,733	2,930	2,604
Other receivables	465	1,323	937
	5,726	5,666	8,411

23. 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 28 to the Historical Financial Information. The pledged bank deposits were with maturity of three months or less than three months.

24. BANK AND CASH BALANCES

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Bank balances	59,376	73,632	87,027
Cash on hand	190	297	270
	59,566	73,929	87,297

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

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
HK$	59,310	73,779	87,146
USD	222	116	117
Renminbi	34	34	34
	59,566	73,929	87,297

25. ACCOUNT PAYABLES

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

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Up to 30 days	7,022	11,766	13,324
31 to 60 days	4,802	477	487
61 to 90 days	914	—	—
Over 90 days	25	28	29
	12,763	12,271	13,840

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

26. ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Accrued staff costs and provisions	107,911	115,532	144,449
Other accruals	428	611	5,857
Directors' long-service rewards payables *(note)*	6,300	—	—
Other payables	2,309	2,994	3,982
	116,948	119,137	154,288

Presented as:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Current liabilities	113,704	116,303	151,191
Non-current liabilities – Provisions for employee benefits	3,244	2,834	3,097
	116,948	119,137	154,288

Note: The amounts were payable to the directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak, upon their request at least three months in advance and were settled during the year ended 31 March 2018.

Movement in provision for employee benefits is as follows:

	HK$'000
At 1 April 2016	12,819
Addition	18,272
Utilisation	(7,866)
At 31 March 2017 and 1 April 2017	23,225
Addition	7,194
Utilisation	(11,341)
At 31 March 2018 and 1 April 2018	19,078
Addition	11,566
Utilisation	(4,976)
At 31 March 2019	25,668

27. SHAREHOLDERS' LOANS

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Interest-bearing loans	25,050	—	—

The amounts were unsecured, interest-bearing ranging from 4.84% to 6.75% per annum and had no fixed terms of repayment.

28. BANK BORROWINGS

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Bank loans	32,050	77,217	61,387
Factoring loans	22,001	37,847	52,362
	54,051	115,064	113,749

The bank borrowings are repayable as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Within one year	40,158	102,053	101,595
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	13,893	13,011	12,154
	54,051	115,064	113,749
Less: Amount due for settlement within 12 months (shown under current liabilities)	(54,051)	(115,064)	(113,749)
Amount due for settlement after 12 months	—	—	—

The interest rates per annum were as follows:

	As at 31 March		
	2017	2018	2019
Bank loans	2.07% to 5.00%	2.07% to 4.08%	2.43% to 5.05%
Factoring loans	2.17% to 5.00%	2.00% to 5.00%	2.00% to 3.51%

All bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

All bank borrowings are denominated in HK$.

At 31 March 2017, 2018 and 2019, bank loans amounted to HK$31,892,000, HK$47,217,000 and HK$41,386,000 respectively were secured by the Group's pledged bank deposits and account receivables, of which HK$28,892,000, HK$35,023,000 and HK$14,154,000 respectively were also secured by the Group's buildings, prepaid land lease payments and financial assets at FVTPL.

At 31 March 2017, 2018 and 2019, factoring loans amounted to HK$22,001,000, HK$37,847,000 and HK$52,362,000 respectively were secured by the Group's account receivables, of which HK$18,516,000, HK$29,243,000 and HK$45,619,000 respectively were also secured by the Group's pledged bank deposits, buildings, prepaid land lease payments and/or financial assets at FVTPL.

At 31 March 2017, 2018 and 2019, two directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak, have guaranteed bank loans and factoring loans made up to the Group totaling HK$53,893,000, HK$43,929,000 and HK$6,743,000 respectively.

At 31 March 2017, a former shareholder, Hong Kong Johnson Investments (BVI) Company Limited, has guaranteed bank loans and factoring loans made up to the Group totaling HK$16,017,000.

At 31 March 2017, 2018 and 2019, a shareholder, Hong Kong Huafa Investment Holdings Limited ("Hong Kong Huafa"), has guaranteed bank loans and factoring loans made up to the Group totaling HK$43,610,000, HK$113,975,000, and HK$113,749,000 respectively.

At 31 March 2019, a shareholder, Canvest Environmental (China) Company Limited ("**Canvest (China)**") has guaranteed bank loans made up to the Group totaling HK$49,153,000.

29. FINANCE LEASE PAYABLES

	Minimum lease payments As at 31 March			Present value of minimum lease payments As at 31 March		
	2017	2018	2019	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	3,233	2,387	3,113	2,958	2,172	2,715
In the second to fifth years, inclusive	662	6,853	7,874	593	6,303	7,437
	3,895	9,240	10,987	3,551	8,475	10,152
Less: Future finance charges	(344)	(765)	(835)	N/A	N/A	N/A
Present value of lease obligations	3,551	8,475	10,152	3,551	8,475	10,152
Less: Amount due for settlement within 12 months (shown under current liabilities)				(2,958)	(2,172)	(2,715)
Amount due for settlement after 12 months				593	6,303	7,437

At 31 March 2017, 2018 and 2019, the obligation under finance leases of the Group of HK$3,551,000, HK$6,973,000 and HK$5,139,000 respectively was guaranteed by a director, Mr. Szeto Wing Tak.

At 31 March 2017, 2018 and 2019, the obligation under finance leases of the Group of HK$Nil, HK$1,502,000 and HK$1,162,000 respectively was guaranteed by a shareholder, Hong Kong Huafa.

At 31 March 2017, 2018 and 2019, the obligation under finance lease of the Group of HK$Nil, HK$Nil and HK$3,851,000 respectively was guaranteed by a shareholder, Canvest (China).

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years, 5 years and 5 years as at 31 March 2017, 2018 and 2019 respectively. At 31 March 2017, 2018 and 2019, the effective borrowing rates were ranging from 2.60% to 4.74%, 2.60% to 3.99% and 3.10% to 4.14% per annum respectively. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in HK$.

30. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
	HK$'000
At 1 April 2016	2,035
Credit to profit or loss for the year *(note 13)*	(966)
At 31 March 2017 and 1 April 2017	1,069
Credit to profit or loss for the year *(note 13)*	(40)
At 31 March 2018 and 1 April 2018	1,029
Charge to profit or loss for the year *(note 13)*	1,897
At 31 March 2019	2,926

31. SHARE CAPITAL

Group

Prior to the completion of the Group Reorganisation, the share capital presented in the consolidated statements of financial position as at 31 March 2017 and 2018 represented the issued and fully paid share capital of Johnson, a subsidiary of the Company.

Group and Company

	Note	Number of shares	Amount
			HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
— Upon incorporation on 9 July 2018	(a)	100	—
— Increase of authorised capital	(c)	37,499,900	3,750
— Increase upon share subdivision	(d)	337,500,000	—
At 31 March 2019		375,000,000	3,750
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
— Upon incorporation on 9 July 2018	(b)	100	—
— Shares issued upon Group Reorganisation		37,499,900	3,750
— Increase upon share subdivision	(d)	337,500,000	—
At 31 March 2019		375,000,000	3,750

Note:

(a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 July 2018, with an initial authorised share capital of HK$10 divided into 100 shares of HK$0.10 each.

(b) One fully paid share was allotted and issued at the par value to the initial subscriber and subsequently transferred to Hong Kong Huafa on 9 July 2018. On the same day, the Company further allotted and issued 99 fully paid shares at par value to the shareholders who directly held an interest in Johnson.

(c) On 29 November 2018, the authorised share capital of the Company was further increased by HK$3,749,990 divided into 37,499,900 shares of HK$0.10 each.

(d) On 28 January 2019, the authorised share capital of the Company was subdivided from 37,500,000 shares of HK$0.10 each into 375,000,000 shares of HK$0.01 each. The subdivision of each of the existing issued shares of HK$0.10 each in the capital of the Company into 10 subdivided shares of HK$0.01 each with effect from 29 January 2019.

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, buy-back 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 cash and bank balances divided by total equity. Total debt comprises shareholders' loans, bank borrowings (except for bank overdrafts) and finance lease payables. Total equity comprises all components of equity (i.e. share capital and retained earnings).

The Group's strategy, which was unchanged throughout the Track Record Period, was to maintain the net gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost. The net gearing ratios at 31 March 2017, 2018 and 2019 were as follows:

	As at 31 March		
	2017	2018	2019
	HK$'000	HK$'000	HK$'000
Total debt	82,652	123,539	123,901
Less: bank and cash balances	(59,566)	(73,929)	(87,297)
	23,086	49,610	36,604
Total equity	118,291	139,222	161,029
Net gearing ratio	0.20	0.36	0.23

The increase in the net gearing ratio during the year ended 31 March 2018 resulted primarily from increase in bank borrowings. The decrease in the net gearing ratio during the year ended 31 March 2019 resulted primarily from decrease in bank borrowings and increase in retained earnings.

The externally imposed capital requirement for the Group is to meet financial covenants attached to the bank loans, factoring loans and bank overdrafts.

Breaches in meeting the financial covenants would permit the banks to immediately call borrowings. There have been no breaches in the financial covenants of any bank loans, factoring loans and bank overdrafts throughout the Track Record Period.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of comprehensive income and consolidated statements of changes in equity.

(b) The Company

	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000
Upon incorporation on 9 July 2018	—	—	—
Group Reorganisation *(note 32(c)(ii))*	153,949	—	153,949
Total comprehensive income for the year	—	(28)	(28)
At 31 March 2019	153,949	(28)	153,921

(c) Nature and purpose of reserves

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of shares of Johnson acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

(ii) Contributed surplus

Contributed surplus of the Company represents the difference between the cost of the investment in Johnson pursuant to the Group 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 realizable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

33. CONTINGENT LIABILITIES

(a) Performance bonds

At 31 March 2017, 2018 and 2019, 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 HK$106,766,000, HK$158,991,000 and HK$216,438,000 respectively. The performance bonds were secured by pledged bank deposits, account receivables, buildings, prepaid land lease payments and financial assets at FVTPL.

At 31 March 2017 and 2018, the performance bonds were guaranteed by two directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak and a shareholder, Hong Kong Huafa.

At 31 March 2019, the performance bonds were guaranteed by two directors, Mr. Cheung Kam Chiu and Mr. Szeto Wing Tak and shareholders, Hong Kong Huafa and Canvest (China).

(b) Litigation

As at 31 March 2017, 2018 and 2019, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK$8,854,000, HK$9,620,000 and HK$1,276,000 respectively. In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

34. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Property, plant and equipment	—	2,534	1,342

35. LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Within one year	237	185	301
In the second to the fifth years inclusive	66	100	61
	303	285	362

Operating lease payments represent rentals payable by the Group for certain of its warehouse and parking spaces. Leases are negotiated for the term ranging from one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Additions to property, plant and equipment for the years ended 31 March 2017, 2018 and 2019 amounted to HK$Nil, HK$9,520,000, and HK$4,736,000 respectively were financed by finance leases.

(b) 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 Group's consolidated statements of cash flows as cash flows from financing activities.

	Shareholders' loans *(note 27)*	**Factoring loans** *(note 28)*	**Bank loans** *(note 28)*	**Finance lease payables** *(note 29)*
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
At 1 April 2016	25,050	21,117	45,565	11,294
Interest expenses	1,299	3,870	1,319	479
Cash flows	(1,299)	(2,986)	(14,834)	(8,222)
At 31 March 2017 and 1 April 2017	25,050	22,001	32,050	3,551
Additions	—	—	—	9,520
Interest expenses	730	4,147	1,640	268
Cash flows	(25,780)	11,699	43,527	(4,864)
At 31 March 2018 and 1 April 2018	—	37,847	77,217	8,475
Additions	—	—	—	4,736
Interest expenses	—	3,687	2,900	321
Cash flows	—	10,828	(18,730)	(3,380)
At 31 March 2019	—	52,362	61,387	10,152

37. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period.

	As at 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Interest on shareholders' loans	1,299	730	—
Listing expenses to related companies *(note)*	—	—	1,619

Note: The ultimate parent has controlling interests in the related companies.

(b) The remuneration of directors of the Company and other members of key management personnel during the Track Record Period were as follows:

	Year ended 31 March		
	2017	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**
Basic salaries and allowances	5,738	8,413	9,455
Discretionary bonuses	740	7,881	5,383
Retirement benefit scheme contributions	772	1,006	1,229
	7,250	17,300	16,067

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 March 2019.

This information set forth in this Appendix II does not form part of the Accountants' Report prepared by RSM Hong Kong, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to the prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted consolidated net tangible assets as of 31 March 2019, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 March 2019, and is based on our consolidated net tangible assets as at 31 March 2019, as set out in the "Accountants' Report" in Appendix I to this prospectus.

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the consolidated net tangible assets attributable to owners of the Company had it occurred as of 31 March 2019. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2019 *(Note 1)*	Estimated net proceeds from the Global Offering *(Note 2)*	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net consolidated tangible assets per Share *(Note 3)*
	HK$'000	HK$'000	HK$'000	HK$
Based on the minimum Offer Price of HK$1.00 per Share	161,029	100,833	261,862	0.52
Based on the maximum Offer Price of HK$1.20 per Share	161,029	124,313	285,342	0.57

Notes:

(1) The audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2019 is arrived from the audited consolidated net assets of approximately HK$161,029,000 as of 31 March 2019, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The adjustment to the pro forma statement of net tangible assets reflects the estimated proceeds from the Global Offering to be received by the Company. The estimated proceeds from the Global Offering is based on the Offer Price of HK$1.00 and HK$1.20 per Offer Share, respectively, being the lower and higher end price of the stated Offer Price range, and 125,000,000 Shares, after deduction of the estimated commission and other related fees and expenses (excluding listing expenses of approximately HK$12,573,000 which have been recognised in profit or loss prior to 31 March 2019).

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraph and on the basis that 500,000,000 shares are expected to be in issue following the Global Offering (including 125,000,000 shares newly issued upon the Global Offering) and the respective Offer Prices of HK$1.00 and HK$1.20 per Offer Share.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2019.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong.

RSM
29th floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

27 September 2019

The Board of Directors
Hong Kong Johnson Holdings Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hong Kong Johnson Holdings Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets statement as 31 March 2019 as set out on page II-1 of the prospectus issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in section A of Appendix II to the prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering of 125,000,000 Shares of HK$0.01 each on the Group's financial position as at 31 March 2019 as if the Global Offering had been taken place on 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements included in the accountants' report as set out in Appendix I to the prospectus.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman companies law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 July 2018 under the Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 3 September 2019. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the

Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member.

On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings shall be convened on the requisition of one or more members 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 secretary of the Company 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.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 9 July 2018 subject to the Companies Law. Certain provisions of Cayman companies law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Law;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on 1 January 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. A Cayman Islands company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it would be required to satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman companies law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 9 July 2018. We have established a principal place of business in Hong Kong at 11/F China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Hong Kong and we were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 December 2018. Mr. Cheung, Kam Chiu and Mr. Szeto, Wing Tak have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Cayman Islands laws and to the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Cayman Companies Law is set forth in Appendix III.

2. Changes in share capital of our Company

(a) As at the date of the incorporation, the authorised share capital of our Company was HK$10 divided into 100 shares of HK$0.10 each. Upon incorporation, 56, 3 and 41 paid shares were allotted and issued to Hong Kong Huafa, HJ Capital (International) and Canvest (China), respectively.

(b) On 29 November 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK$10 to HK$3,750,000 divided into 37,500,000 shares of HK$0.10 each.

(c) On 29 November 2018, our Company issued 20,999,944, 1,124,997 and 15,374,959 fully paid shares of HK$0.10 each to Hong Kong Huafa, HJ Capital (International) and Canvest (China), respectively, as consideration for acquiring the entire issued share capital of Johnson Cleaning.

(d) On 28 January 2019, our Shareholders resolved that 37,500,000 shares of HK$0.10 each in the authorised share capital of our Company was subdivided into 375,000,000 Shares of HK$0.01 each. As a result of the Share Subdivision, Hong Kong Huafa, HJ Capital (International) and Canvest (China) respectively held 210,000,000, 11,250,000 and 153,750,000 Shares of HK$0.01 each.

(e) On 3 September 2019, our Shareholders resolved to further increase the authorised share capital of our Company from HK$3,750,000 to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each.

(f) Immediately following completion of the Global Offering, 500,000,000 Shares will be issued fully paid or credited as fully paid.

(g) There is no present intention to issue any part of our authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(h) Save as aforesaid and as mentioned in the paragraph "Resolutions of the Shareholders" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions of the Shareholders

Written resolutions were passed by our Shareholders on 3 September 2019 pursuant to which, among other matters:

(a) the Company approved and adopted the Articles of Association conditional upon and with effect from the Listing;

(b) the authorised share capital of our Company increased from HK$3,750,000 divided into 375,000,000 Shares to HK$30,000,000 divided into 3,000,000,000 Shares by way of addition of 2,625,000,000 new Shares which shall when issued and paid, rank pari passu in all respects with the existing issued Shares;

(c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, under the Global Offering, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (iii) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(iii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(iv) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (ii) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (iii) above.

4. Group reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group's structure in preparation for the Listing. For more details regarding the Reorganisation, please see the section "History, Reorganisation and Corporate Structure — Reorganisation".

5. Changes in number of issued shares or share capital of subsidiaries of our Group

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, there has been no alteration in the number of issued shares or share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of securities by our Company

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our Shareholders on 3 September 2019, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase by our Company may be made out of profits of our Company, out of share premium account or out of the proceeds of a fresh issue of Shares made for the purposes of the repurchase, or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits of our Company or our Company's share premium account, or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately after the Listing, would result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and the Articles of Association, and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage a may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) shareholders agreement dated 23 March 2018 and entered into among (i) Hong Kong Huafa, (ii) Canvest (China), (iii) HJ Capital (International), and (iv) Johnson Hong Kong in respect of governing the rights and obligations of the shareholders of Johnson Hong Kong;

(b) termination agreement dated 29 November 2018 and entered into among (i) Hong Kong Huafa, (ii) Canvest (China), (iii) HJ Capital (International), and (iv) Johnson Hong Kong in respect of the termination of the shareholders agreement described in item (a) above;

(c) sale and purchase agreement dated 29 November 2018 and entered into among (i) Hong Kong Huafa, (ii) HJ Capital (International), (iii) Canvest (China) and (iv) our Company, pursuant to which Hong Kong Huafa, HJ Capital (International) and Canvest (China) agreed to sell 5,712,000, 306,000 and 4,182,000 shares in Johnson Hong Kong, respectively, representing in aggregate the entire issued share capital of Johnson Hong Kong to our Company at an aggregate consideration of HK$181,345,500.67 and settled by our Company allotting and issuing (i) 20,999,944 shares of HK$0.1 each in our Company to Hong Kong Huafa, (ii) 1,124,997 shares of HK$0.1 each in our Company to HJ Capital (International), and (iii) 15,374,959 shares of HK$0.1 each in our Company to Canvest (China);

(d) sale and purchase agreement dated 18 February 2019 and entered into among our Company and Johnson BVI, pursuant to which our Company agreed to sell 10,200,000 shares, representing the entire issued share capital of Johnson Hong Kong to Johnson BVI at an aggregate consideration of HK$181,345,500.67 and settled by Johnson BVI allotting and issuing 1 share of HK$1.00 each in Johnson BVI to our Company;

(e) a confirmatory deed dated 23 April 2019 and entered into among (i) Hong Kong Huafa, (ii) HJ Capital (International), (iii) Canvest (China) and (iv) our Company, pursuant to which the parties acknowledge and confirm that the purchase price for the entire issued shares in Johnson Hong Kong under the sale and purchase agreement dated 29 November 2018 described in item (c) above, which was based on the unaudited net asset value of Johnson Hong Kong as at 31 August 2018, shall be adjusted based on the unaudited net asset value of Johnson Hong Kong as at 29 November 2018, being HK$157,699,238.28;

(f) a confirmatory deed dated 23 April 2019 and entered into between our Company and Johnson BVI, pursuant to which the parties acknowledge and confirm that the purchase price for the entire issued shares in Johnson Hong Kong under the sale and purchase agreement dated 29 November 2018 described in item (d) above, which was based on the unaudited net asset value of Johnson Hong Kong as at 31 August 2018, shall be adjusted based on the unaudited net asset value of Johnson Hong Kong as at 29 November 2018, being HK$157,699,238.28;

(g) a cornerstone investment agreement dated 23 September 2019 and entered into among (i) our Company, (ii) South Pacific International Trading Limited (香港南洋國際貿易有限公司), (iii) Southwest Securities Brokerage, (iv) Huajin Securities (International) and (v) Elstone Securities, pursuant to which South Pacific International Trading Limited (香港南洋國際貿易有限公司) has agreed to, among other things, subscribe for ordinary share(s) of HK$0.01 each in the share capital of our Company at the Offer Price, in the amount of HK$45,000,000;

(h) a cornerstone investment agreement dated 23 September 2019 and entered into among (i) our Company, (ii) Mr. Chen Xiangeng, (iii) Southwest Securities Brokerage, (iv) Huajin Securities (International) and (v) Elstone Securities, pursuant to which Mr. Chen Xiangeng has agreed to, among other things, subscribe for ordinary share(s) of HK$0.01 each in the share capital of our Company at the Offer Price, in the amount of HK$10,000,000;

(i) the Deed of Indemnity; and

(j) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group has the following trademark which is material to our business:

Trademark	Registrant	Place of Registration	Class	Registration Number	Expiry Date
	Johnson Hong Kong	Hong Kong	37	1996B02852	8 December 2024

(b) Domain names

As at the Latest Practicable Date, our Group has the following material registered domain names:

Domain Name	Registrant	Expiry Date
www.johnsonholdings.com	Johnson Hong Kong	19 July 2020
www.johnson-cleaning.com	Johnson Hong Kong	26 August 2020

Save as disclosed above, as at the Latest Practicable Date, there are no material trade or service marks, patents, other intellectual property rights which are material in relation to our business.

3. Related party transactions

Save as disclosed in this prospectus and in note 37 to the Accountant's Report, the text of which is set out in Appendix I, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material related party transactions.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SHAREHOLDERS

1. Interests and/or short positions of our Directors in the Shares, underlying Shares and debentures of our Company or any associated corporation

Interests and/or short positions in our Company

Immediately following the completion of the Global Offering, the interests or short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company and/or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange, will be as follows:

Name of Director/ chief executive	Capacity/Nature of interest	Number and class of securities held (Note 1)	Approximate percentage of shareholding in the issued capital of our Company
Lee, Wing Yee Loretta	Interest in controlled corporation	153,750,000 shares (L) (Note 2)	30.75%

Notes:

1. the letter "L" denotes the entity/person's long position in the Shares.

2. Canvest Environmental is owned as to 54.73% by Best Approach Developments Limited (which is in turn directly held as to 55% by Harvest Vista Company Limited and indirectly held as to 45% by Harvest Vista Company Limited through Century Rise Development Limited). The entire issued share capital of Harvest Vista Company Limited 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, 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 of our Company. Under the SFO, Best Approach Developments Limited, Harvest Vista Company Limited, Century Rise Development Limited, Ms. Lee, Wing Yee Loretta, Mr. Lai, Kin Man and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

2. Interests and/or short positions discloseable under the SFO and our substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders", our Directors are not aware of any person who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

3. Particulars of Directors' service contracts

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company which will expire the earlier of (i) the date being two years from the Listing Date or (ii) 13 August 2021 (i.e. two years from the expiry date of service contracts currently in force with the executive Directors) (subject to termination in certain circumstances as stipulated in the relevant service contract).

The annual remuneration payable to our executive Directors by our Group (excluding any discretionary or performance bonus) is as follows:

Name	Approximate annual salary HK($)
Mr. Cheung, Kam Chiu	3.38 million
Mr. Szeto, Wing Tak	3.38 million

Each of our executive Directors is entitled to a performance bonus in respect of each of the Company's financial year ending 31 March 2020 and the Company's financial year ending 31 March 2021 during the term of his employment calculated by reference to the financial performance of our Group. If the profit before tax of the Company audited by the Company's auditors of the relevant financial year as shown in the financial results of the Company (excluding any profit or loss generated by activities outside the ordinary and usual course of its business) (the "**Relevant Profit**") is HK$10 million or more, each of the executive Directors will be entitled to bonuses ranging from 6% to 10% of the Relevant Profit on a progressive scale.

(b) Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with our Company for a term of two years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract). The annual remuneration payable to our non-executive Directors is HK1.00.

(c) Independent Non-executive Directors

Each of Mr Fan, Chiu Tat Martin, Dr. Guan, Yuyan, Mr. Hong, Kam Le, Mr. Leung, Siu Hong and Ms. Ru, Tingting, the independent Non-executive Directors will be appointed for an initial term of two years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The independent non- executive Directors are entitled to an aggregate director's fee of HK$600,000 per annum. Save for directors' fee, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent Non-executive Director.

The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(d) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to the Directors in respect of the three financial years ended 31 March 2017, 2018 and 2019 were approximately HK$4.79 million, HK$14.11 million and HK$12.20 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding performance bonuses and discretionary bonuses) payable by our Group to and benefits in kind receivable by our Directors (including the Independent non-executive Directors in their respective capacity as Directors) for the year ending 31 March 2020 are expected to be approximately HK$7.36 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three financial years ended 31 March 2017, 2018 and 2019 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three financial years ended 31 March 2017, 2018 and 2019.

4. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors or our chief executives of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties listed in the paragraph "Other Information — 8. Qualifications of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of the Directors nor any of the parties listed in the paragraph "Other Information — 8. Qualifications of experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph "Other Information — 8. Qualifications of experts" below:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of the Directors, their respective close associates or Shareholders of our Company is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers.

OTHER INFORMATION

1. Tax and other indemnity

Hong Kong Huafa and Canvest (China) (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for themselves and as trustee for each of its present subsidiaries) (being the material contract (item (i)) referred to in paragraph 1. Summary of material contracts of the sub-section headed "Further Information about our business" in this appendix.) to provide indemnities severally, to the extent of and pro-rata to the respective direct or indirect equity percentage held by the Indemnifiers in the Company as at the date of the Deed of Indemnity, in respect of, among other matters:

(a) any and all taxation paid or required to be paid by any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Global Offering becomes unconditional and dealings in Shares first commence on the Stock Exchange (the "Effective Date"), or as a consequence of any event which occurred on or before the Effective Date whether alone or in conjunction with other circumstances, whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(b) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings and actions (including without limitation any legal costs) which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group and become payable arising in connection with non-compliance of the legal and/or regulatory requirements as disclosed in the section headed "Business — Regulatory Non-compliance" of this prospectus;

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 March 2019;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2019 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

 (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

 (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus;

(c) to the extent that such taxation or claim arise or is/are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is/are increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect;

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2019 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

We have been advised that no material liability for estate duty is likely to fall on us and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

2. Litigation and claims

Save as disclosed in the section "Business — Litigations and Claims" in this prospectus and as at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

3. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$30,000 and have been paid.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

5. Application for listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent of our Company pursuant to Rule 3A.07 of the Listing Rules.

7. Sponsor's fees or commissions received

The total amount of the sponsor's fees payable to the Sole Sponsor by our Company is HK$4.5 million.

The Underwriters will receive an underwriting commission of 6.08% of the aggregate Offer Price of all the Offer Shares and a discretionary bonus (if any), out of which they will pay any sub-underwriting commissions and other fees.

Based on an Offer Price of HK$1.1 (being the mid-point of Offer Price range between HK$1.0 per Offer Share and HK$1.2 per Offer Share), the sponsor's fee, the underwriting commission, listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$37.5 million in total.

8. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Southwest Securities (HK) Capital Limited	A corporation licenced to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
RSM Hong Kong	Certified public accountants
Frost & Sullivan International Limited	Industry consultant
Harney Westwood & Riegels	Legal adviser to our Company as to Cayman Islands laws
GFE Law Office	Legal adviser to our Company as to PRC laws
Eugene W. T. Yim	Barrister-at-law in Hong Kong

9. Consents of experts

Each of the experts named in this section above has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019 (being the date to which the latest audited combined financial statements of our Group were made up).

12. Miscellaneous

(a) Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founder or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus, our Group has no outstanding convertible debt securities or debentures.

(c) The Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2019 (being the date to which the latest audited combined financial statements of our Group were made up);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Law.

(f) The English text of this prospectus shall prevail over Chinese text.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the WHITE, YELLOW and GREEN Application Forms;

(b) the written consents referred to in the paragraph headed "Other Information — 9. Consents of experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in the paragraph headed "Further Information about our business — 1. Summary of our material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Bird & Bird at 4/F, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles of Association;

(b) the Accountant's Report from RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of Johnson Hong Kong for the years ended 31 March 2017, 2018 and 2019;

(d) the report on the unaudited pro forma financial information of our Group from RSM Hong Kong, the text of which is set out in Appendix II to this prospectus;

(e) the legal opinion issued by GFE Law Office, our PRC Legal Advisers;

(f) the letter of advice prepared by Harney Westwood & Riegels, summarising certain aspects of the Companies Law referred to in Appendix III to this document;

(g) the legal opinion(s) prepared by Mr. Eugene W. T. Yim, Barrister-at-law in Hong Kong;

(h) the Cayman Companies Law;

(i) the Frost & Sullivan Report, the text of which is summarised in the section headed "Industry overview" in this prospectus;

(j) the material contracts referred to in the paragraph headed "Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(k) the written consents referred to in the paragraph headed "Other Information — 9. Consents of experts" in Appendix IV to this prospectus; and

(l) the service agreements and the letter of appointment referred to in the paragraph headed "Further Information about our Directors and Shareholders — 3. Particulars of Directors' service contracts" in Appendix IV to this prospectus.