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LOTUS HORIZON HOLDINGS LIMITED

智中國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6063)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Lotus Horizon Holdings Limited (the “**Company**”) is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021 as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Revenue	223,991	220,788
Gross profit	2,473	50,373
(Loss)/profit before taxation	(26,600)	25,954
(Loss)/profit for the year	(22,656)	21,736
(Loss)/earnings per share, basic (<i>HK cents</i>)	(1.13)	1.10

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3	223,991	220,788
Cost of sales		<u>(221,518)</u>	<u>(170,415)</u>
Gross profit		2,473	50,373
Other income, gains and losses, net	4	508	1,720
Net impairment losses (recognised) reversed under expected credit loss model	5	(6,492)	1
Operating and administrative expenses		(22,360)	(23,877)
Finance costs	6	(729)	(952)
Listing expenses		<u>–</u>	<u>(1,311)</u>
(Loss) profit before taxation	7	(26,600)	25,954
Income tax credit (expense)	8	<u>3,944</u>	<u>(4,218)</u>
(Loss) profit and total comprehensive (expense) income for the year		<u><u>(22,656)</u></u>	<u><u>21,736</u></u>
(Loss) earnings per shares, basic (<i>HK cents</i>)	10	<u><u>(1.13)</u></u>	<u><u>1.10</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property and equipment		11,645	15,021
Deposit and prepayment for a life insurance policy		2,290	1,805
Rental deposits	11	743	728
Deferred tax assets		4,280	378
		<u>18,958</u>	<u>17,932</u>
Current assets			
Trade and other receivables	11	26,497	23,604
Contract assets	12	72,819	76,834
Tax recoverable		518	476
Pledged bank deposits		10,776	18,488
Bank balances and cash		46,120	72,910
		<u>156,730</u>	<u>192,312</u>
Current liabilities			
Trade and other payables	13	14,647	20,650
Contract liabilities	12	695	638
Lease liabilities		2,361	2,203
Bank borrowings	14	21,009	4,889
		<u>38,712</u>	<u>28,380</u>
Net current assets		<u>118,018</u>	<u>163,932</u>
Total assets less current liabilities		<u>136,976</u>	<u>181,864</u>
Non-current liabilities			
Lease liabilities		5,663	7,895
Other payables	13	750	750
		<u>6,413</u>	<u>8,645</u>
Net assets		<u>130,563</u>	<u>173,219</u>
Capital and reserves			
Share capital		20,000	20,000
Reserves		110,563	153,219
Total equity		<u>130,563</u>	<u>173,219</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 14 November 2018 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing**”). The Company’s registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is located at 21/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Chu Kwok Fun (“**Mr. Chu**”).

The Company acts as an investment holding company and the principal activities of the Group are the provision of design, supply and installation services for façade works and building metal finishing works.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company.

The COVID-19 pandemic has continued to adversely impact the Group’s operations. During the year ended 31 March 2022, the Group incurred a loss attributable to equity holders of the Company of HK\$22,656,000 (2021: profit attributable to equity holders of the Company of HK\$21,736,000).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Concessions
Amendments to HKFRS 16	Covid-16-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of design, supply and installation services for façade works and building metal finishing works in Hong Kong by the Group to external customers which is recognised over time using the input method and derived from long-term contracts during the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Recognised over time		
Design, supply and installation services for		
– façade works	194,218	189,735
– building metal finishing works	29,773	31,053
	<u>223,991</u>	<u>220,788</u>

The Group's operating activities are attributable to a single operating segment focusing on the provision of design, supply and installation services for façade works and building metal finishing works. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the chief operating decision maker ("CODM"), being Mr. Chu, the chief executive officer and executive director of the Company, for the purpose of resources allocation and performance assessment. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance.

The CODM reviews the (loss) profit for the year of the Group as a whole to make decisions about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

The customers of the Group are mainly property developers and main contractors in Hong Kong. All of the Group's provision of design, supply and installation services for façade works and building metal finishing works are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Geographical information

All of the Group's revenue from external customers was generated from customers located in Hong Kong and all of the Group's non-current assets (excluding rental deposits and deferred tax assets) were located in Hong Kong.

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group during the year are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	53,108	N/A ³
Customer B ²	39,917	23,454
Customer C ¹	32,462	N/A ³
Customer D ²	23,081	N/A ³
Customer E ¹	N/A ³	43,814
Customer F ¹	N/A ³	30,275
Customer G ²	N/A ³	26,600

Notes:

1. Revenue from design, supply and installation services for façade works.
2. Revenue from design, supply and installation services for façade works and building metal finishing works.
3. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on write-off of property and equipment	–	(1,498)
Gain arising from early termination of lease contracts	–	142
Government grants (<i>Note</i>)	–	2,577
Bank interest income	148	315
Guaranteed income from a life insurance policy	92	184
Sundry income	268	–
	508	1,720

Note: During the year ended 31 March 2021, the Group received government grants of HK\$2,577,000 in respect of 2019 Novel Coronavirus related subsidies of which HK\$2,527,000 relates to Employment Support Scheme provided by the Hong Kong government.

5. NET IMPAIRMENT LOSSES RECOGNISED (REVERSED) UNDER EXPECTED CREDIT LOSS MODEL

	2022	2021
	HK\$'000	HK\$'000
Net impairment losses recognised (reversed) on:		
– trade receivables	3,379	159
– contract assets	3,113	(160)
	<u>6,492</u>	<u>(1)</u>

6. FINANCE COSTS

	2022	2021
	HK\$'000	HK\$'000
Interests on:		
– bank borrowings	306	462
– lease liabilities	423	490
	<u>729</u>	<u>952</u>

7. (LOSS) PROFIT BEFORE TAXATION

	2022	2021
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	540	519
Other emoluments	4,374	4,370
	4,914	4,889
Other staff costs		
Salaries and other benefits	28,825	26,629
Retirement benefit scheme contributions for other staffs	918	823
Total staff costs	<u>34,657</u>	<u>32,341</u>
Auditor's remuneration	1,080	1,200
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	56	52
Depreciation on property and equipment	3,699	3,250
and after crediting:		
Guaranteed income from a life insurance policy	<u>92</u>	<u>184</u>

Note: The operating lease rentals for office equipment are determined according to predetermined fixed cost and the excess usage of printing pages pursuant to terms and conditions that are set out in respective rental agreements.

8. INCOME TAX (CREDIT) EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The income tax (credit) expense comprises:		
Hong Kong Profits Tax		
Current year	–	4,440
(Over)underprovision in prior years	<u>(42)</u>	<u>3</u>
	(42)	4,443
Deferred tax credit	<u>(3,902)</u>	<u>(225)</u>
	<u><u>(3,944)</u></u>	<u><u>4,218</u></u>

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of one qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 of that qualifying group entity will be taxed at 16.5%. Accordingly, Hong Kong Profits Tax of the qualifying entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

9. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend paid for 2021 of HK cent 1.0 (2021: Final dividend paid for 2020 of HK cent 0.5) per share	<u><u>20,000</u></u>	<u><u>10,000</u></u>

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2022.

10. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) earnings:		
(Loss) profit for the year for the purpose of calculating basic (loss) earnings per share	<u><u>(22,656)</u></u>	<u><u>21,736</u></u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u><u>2,000,000</u></u>	<u><u>1,980,822</u></u>

No diluted (loss) earnings per share is presented as the Group has no potential ordinary shares in issue during both years.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	24,102	18,166
Less: Allowances for impairment	<u>(3,673)</u>	<u>(294)</u>
	20,429	17,872
Rental deposits	743	728
Deposits and prepayments	5,455	4,825
Other receivables	<u>613</u>	<u>907</u>
	27,240	24,332
Less: Rental deposits classified as non-current portion	<u>(743)</u>	<u>(728)</u>
Current portion of trade and other receivables	<u><u>26,497</u></u>	<u><u>23,604</u></u>

Trade receivables represent amounts receivable for work certified after deduction of retention money by customers.

The Group usually allows a credit period ranging from 30 to 74 days to its customers. Before accepting any new customers, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 1 April 2020, the trade receivables amounted to HK\$13,874,000, net of loss allowances of HK\$135,000.

The following is an ageing analysis of trade receivables, net of loss allowances, presented based on the approval dates of work certified by architects, surveyors or other representatives appointed by the customers, at the end of the reporting period, which are also the dates when the Group's right to consideration became unconditional.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	5,254	9,530
31 to 60 days	834	7,117
61 to 90 days	14,335	–
Over 90 days	<u>6</u>	<u>1,225</u>
	<u><u>20,429</u></u>	<u><u>17,872</u></u>

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
– façade works	68,070	66,357
– building metal finishing works	9,804	12,419
	77,874	78,776
Less: Allowances for impairment		
– façade works	(5,039)	(1,883)
– building metal finishing works	(16)	(59)
	(5,055)	(1,942)
	72,819	76,834
Contract assets, net of allowances for impairment		
– façade works	63,031	64,474
– building metal finishing works	9,788	12,360
	72,819	76,834
Contract liabilities		
– façade works	(216)	(638)
– building metal finishing works	(479)	–
	(695)	(638)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed on a gross basis for each respective contract:		
Contract assets		
– façade works	73,129	66,445
– building metal finishing works	<u>10,526</u>	<u>12,966</u>
	83,655	79,411
Less: Allowances for impairment		
– façade works	(5,039)	(1,883)
– building metal finishing works	<u>(16)</u>	<u>(59)</u>
	(5,055)	(1,942)
	<u>78,600</u>	<u>77,469</u>
Contract assets, net of allowances for impairment		
– façade works	68,090	64,562
– building metal finishing works	<u>10,510</u>	<u>12,907</u>
	<u>78,600</u>	<u>77,469</u>
Contract liabilities		
– façade works	(5,275)	(726)
– building metal finishing works	<u>(1,201)</u>	<u>(547)</u>
	<u>(6,476)</u>	<u>(1,273)</u>

Contract assets

Contract assets arise when the Group has right to consideration for completion of design, supply and installation of façade works and building metal finishing works and not yet billed under the relevant contracts, and its right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

In addition, contract assets arise when customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts.

As at 1 April 2020, the contract assets amounted to HK\$79,579,000 on a gross basis for each respective contract, net of loss allowances of HK\$2,102,000, and amounted to HK\$79,313,000 on a net basis for each respective contract, net of loss allowances of HK\$2,102,000, respectively.

As at 31 March 2022, the carrying amounts of retention receivables, included in contract assets, net of loss allowances, held by customers for contract works amounting to HK\$28,143,000 (2021: HK\$28,619,000).

The retention receivables, net of loss allowances, are to be settled as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
On demand or within one year	12,190	15,114
After one year	15,953	13,505
	28,143	28,619

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers in advance. The contract liabilities as at 1 April 2020 and 31 March 2021 have been recognised as revenue for the year ended 31 March 2021 and 31 March 2022, respectively. The contract liabilities as at 31 March 2022 will be recognised as revenue for the year ending 31 March 2023.

As at 1 April 2020, the contract liabilities amounted to HK\$266,000 on a gross basis for each respective contract and amounted to HK\$Nil on a net basis for each respective contract, respectively.

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	10,195	13,987
Retention payables	2,227	3,668
Other payables	–	410
Provision for reinstatement cost	750	750
Accrued expenses	2,225	2,585
	15,397	21,400
Less: provision classified as non-current portion	(750)	(750)
Current portion of trade and other payables	14,647	20,650

The following is an ageing analysis of trade payables based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	8,891	13,746
31 to 60 days	1,304	241
	10,195	13,987

The credit period of trade payables is usually ranging from 0 to 30 days.

14. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Variable-rate, secured and guaranteed bank borrowings, repayable within one year*	<u>21,009</u>	<u>4,889</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above variable-rate bank borrowings as at 31 March 2022 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.8% to 2.0% per annum (2021: HIBOR plus 2.0% to 2.75% per annum and Lender’s Hong Kong Dollar Standard Bill Rate minus 1.5% per annum).

The range of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings is as follows:

	2022	2021
Effective interest rates per annum: Variable-rate bank borrowings	<u>1.9%–2.7%</u>	<u>2.3%–4.4%</u>

As at 31 March 2022, the pledged bank deposits of HK\$3,000,000 (2021: HK\$8,000,000) have been pledged to secure the banking facilities granted to the Group.

As at 31 March 2022, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$21,009,000 (2021: HK\$4,889,000).

15. PERFORMANCE GUARANTEES

As at 31 March 2022, surety bonds of an aggregate balance of HK\$7,102,000 (2021: HK\$10,488,000) were given by a bank in favour of the Group’s customers as security for the performance and observance of the Group’s obligations under the construction contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to the customers to whom the performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under letters of guarantees of the Group and were secured by the Group’s pledged bank deposits of HK\$7,776,000 (2021: HK\$10,488,000).

As at 31 March 2022, the Company provided a guarantee (the “**Parent Company Guarantee**”) for the performance of all obligations and liabilities of a wholly owned subsidiary of the Company (the “**Sub-Contract Subsidiary**”) under a construction contract (the “**Sub-Contract**”) entered into between the Sub-Contract Subsidiary and the contractor (the “**Main Contractor**”) of the Sub-Contract. The maximum liability of the Company under the Parent Company Guarantee shall be limited to HK\$22,830,000, which is approximately 10.0% of the contract sum of the Sub-Contract. The Parent Company Guarantee will be released upon the date of completion stated in the certificate of completion in accordance with the main contract signed between the Main Contractor and the employer of the Main Contractor.

The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a subcontractor engaged in the provision of design, supply, and installation services for façade works and building metal finishing works in Hong Kong.

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing Date**”) by way of Share Offer (as defined in the prospectus of the Company dated 30 March 2020 (the “**Prospectus**”)) (the “**Listing**”).

As at 31 March 2022, the Group had 15 projects in progress with a total original contract sum of approximately HK\$625.6 million. Total revenue of approximately HK\$224.0 million was recognised during the year ended 31 March 2022 (the “**Year**” or “**FY2022**”).

The prolonged impact of COVID-19 continued challenging the business of the Group during the Year. Stringent control on project costs has been implemented by property developers and owners since the outbreak of COVID-19. Fierce competition in the markets of façade works and building metal finishing works sustained. In order to maintain the quality of our projects with reasonable gross profit margins, the Group kept taking a more prudent approach on bidding new projects during the Year.

OUTLOOK AND PROSPECTS

Although the numbers of COVID-19 infection cases in Hong Kong and many other regions decreased, the economic impact of COVID-19 pandemic adversely persists. Anxious economic issues, such as high commodity prices, inflation and supply chain bottlenecks, keeps restricting the recovery of the global economy. We expect that our industry would still suffer from higher building material costs and overhead costs for a certain period of time onwards.

The Group has already implemented certain control measures to reduce the impact of these issues. We will closely monitor the trends of these issues and maintain sufficient financial resources to tackle rapid changes of the market.

FINANCIAL REVIEW

Revenue

The table below sets forth an analysis of our revenue by the types of services provided for the years ended 31 March 2022 and 2021:

	Year ended 31 March			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Façade works	194,218	86.7	189,735	85.9
Building metal finishing works	29,773	13.3	31,053	14.1
Total	223,991	100.0	220,788	100.0

The Group's revenue slightly increased by approximately HK\$3.2 million or 1.5% from approximately HK\$220.8 million for the year ended 31 March 2021 (the “**Previous Year**” or “**FY2021**”) to approximately HK\$224.0 million for the Year. The slight increase in revenue recognised was primarily attributed to three façade projects with relatively high contract sums which kick start during the Year, while the progress of some ongoing projects was delayed under the persistent adverse impact of the COVID-19 pandemic.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2022 and 2021:

	Year ended 31 March			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential properties	136,376	60.9	94,331	42.7
Commercial properties	9,561	4.3	61,466	27.8
Public facilities	78,054	34.8	64,991	29.5
Total	223,991	100.0	220,788	100.0

Gross profit and gross profit margin

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by types of services for the years ended 31 March 2022 and 2021:

	Year ended 31 March			
	2022		2021	
	<i>Gross profit</i>		<i>Gross profit</i>	
	<i>margin</i>		<i>margin</i>	
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
Façade works	1,860	1.0	39,375	20.8
Building metal finishing works	613	2.1	10,998	35.4
Total	2,473	1.1	50,373	22.8

The Group's gross profit decreased by approximately HK\$47.9 million from approximately HK\$50.4 million for the FY2021 to approximately HK\$2.5 million for the FY2022. The gross profit margin decreased from approximately 22.8% for the FY2021 to approximately 1.1% for the FY2022. The drop in gross profit margin was mainly resulted from the combined effects of (i) the increase in project overhead costs and subcontracting costs resulted from the delay in construction progress and persistent adverse impact of the COVID-19 pandemic; (ii) a substantial surge in market prices of building materials during the Year; (iii) additional costs incurred for acceleration of installation progress and defects fixing during the completion stage of certain projects, so as to compensate the impacts of delay in construction materials delivery and other unexpected changes in construction plan as a result of the COVID-19 pandemic; and (iv) decline in gross profit margins of certain projects awarded during the Year and the Previous Year, as compared with those awarded in prior years, due to fierce competition in the façade works and building metal finishing works markets as a result of the prolonged impact of the COVID-19 pandemic.

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by sectors for the years ended 31 March 2022 and 2021:

	Year ended 31 March			
	2022		2021	
	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>	<i>Gross profit</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
Residential properties	(3,715)	(2.7)	18,568	19.7
Commercial properties	(192)	(2.0)	11,535	18.8
Public facilities	6,380	8.2	20,270	31.2
Total	2,473	1.1	50,373	22.8

The gross profit margins of residential properties projects and commercial properties projects decreased from approximately 19.7% and 18.8% for the FY2021 to approximately -2.7% and -2.0% for the FY2022 respectively. The negative gross profit margins of residential properties projects and commercial properties projects recognised in the FY2022 were mainly resulted from changes to estimated total budgeted contract costs of those projects due to abovementioned adverse impacts of the COVID-19 pandemic during the Year.

The Group recognises revenue from provision of design, supply and installation services progressively over time using input method based on the proportion of total contract costs incurred at the end of reporting period compared to the estimated total budgeted contract costs to complete the contract when control of the goods or service is transferred to the customer. Since the measurement of the revenue relies on estimations of total budgeted contract costs, changes to estimated total budgeted contract costs could give rise to material variances in the amount of revenue and thus the gross profit margin recognised.

Other income, gains and losses, net

During the FY2022, we recognised other income of approximately HK\$508,000 as compared with other income and gains, net of other loss, of approximately HK\$1.7 million recognised during the FY2021. The amount recognised in the Previous Year was primarily arising from a one-off lump sum government subsidy of approximately HK\$2.5 million under the Employment Support Scheme, partially net off by the loss on write-off of property and equipment.

Net impairment losses (recognised) reversed under expected credit loss model

The amounts represent impairment losses, net of reversal, made on trade receivables and contract assets. The Group recognised an impairment loss of approximately HK\$6.7 million in respect of the entire balance of trade receivables and retention receivables due from a customer during the Year. The impact has been partially net off by the net impairment losses reversed for non credit-impaired lifetime expected credit loss of approximately HK\$163,000 for the Year.

The Group recognised impairment losses for expected credit loss on trade receivables and contract assets of approximately HK\$159,000 and HK\$320,000 respectively, net of the reversal of impairment loss on a contract asset recognised in prior year of approximately HK\$480,000, resulting in net impairment losses reversed of approximately HK\$1,000 for the FY2021.

Operating and administrative expenses

Operating and administrative expenses include staff costs, depreciation and amortisation, marketing and promotion expenses, travelling, office and utility expenses, legal and professional fees and other expenses. For the FY2022, the Group's operating and administrative expenses were approximately HK\$22.4 million, representing a decrease of approximately HK\$1.5 million or 6.4% from approximately HK\$23.9 million for the FY2021. The decrease was mainly attributable to decrease in staff costs recognised as operating and administrative expenses of approximately HK\$0.9 million, and the decrease in repair and maintenance expenses of approximately HK\$0.6 million after the relocation of the principal place of business of the Company in Hong Kong in the FY2021.

Finance costs

Finance costs comprise interests on bank borrowings and interests on lease liabilities. The former refers to the interest cost incurred for borrowings raised from banks while the latter refers to interest portion included in the lease payments under the leases of renting office premises and office equipment for operating uses. For the FY2022, the finance costs were approximately HK\$0.7 million, decreased by approximately HK\$0.3 million from approximately HK\$1.0 million for the FY2021. The decrease in finance costs was due to the decrease in interests on bank borrowings by approximately HK\$0.2 million and the decrease in interests on lease liabilities by approximately HK\$0.1 million.

Listing expenses

The Group incurred professional services fees in respect of the Listing of approximately HK\$1.3 million the FY2021.

Income tax credit (expense)

The Group's income tax credit for the FY2022 comprise over-provision of Hong Kong profits tax in prior years of approximately HK\$42,000 and deferred tax credit of approximately HK\$3.9 million (FY2021: income tax expense comprising provision of Hong Kong profits tax for FY2021 of approximately HK\$4.4 million, partially net off by deferred tax credit of approximately HK\$225,000). The deferred tax credit in the FY2022 is mainly attributed to the deferred tax asset of approximately HK\$3.8 million recognised for the unused tax loss carried forward.

(Loss) profit and total comprehensive (expense) income for the year

As a result of the foregoing factors, the Group's net loss for the Year was amounted to approximately HK\$22.7 million, compared to the Group's net profit of approximately HK\$21.7 million for the Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2022, the Group had net current assets of approximately HK\$118.0 million (31 March 2021: approximately HK\$163.9 million). The current ratio of the Group calculated based on the Group's total current assets divided by total current liabilities as at the end of the reporting period was approximately 4.0 times as at 31 March 2022 (31 March 2021: approximately 6.8 times).

The Group finances its operations primarily through a combination of cash flows generated from operations, bank borrowings and the Share Offer. The decrease of current ratio and bank balances were primarily attributable to the net loss for the Year.

As at 31 March 2022, the Group had bank balances and cash of approximately HK\$46.1 million (31 March 2021: approximately HK\$72.9 million).

Bank borrowings

As at 31 March 2022, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$95.0 million, out of which an aggregate amount of approximately HK\$28.1 million was utilised for bank borrowings and performance guarantees.

The gearing ratio of the Group, calculated based on the Group's total bank borrowings divided by total equity and multiplied by 100%, was approximately 16.1% as at 31 March 2022 (31 March 2021: approximately 2.8%).

The Group has adopted a prudent approach in financial resources management. In the management of the liquidity, the Group continues to monitor and maintain adequate cash and cash equivalents as well as banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The increase of gearing ratio was primarily due to the increase in bank borrowings during the Year and decrease in total equity resulted from net loss for the Year and a final dividend paid for the FY2021 during the Year.

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. There has been no change in the capital structure of the Company throughout the Year.

Pledge of assets

As at 31 March 2022, the pledged bank deposits of approximately HK\$10.8 million (31 March 2021: approximately HK\$18.5 million) have been pledged to secure the banking facilities granted to the Group and surety bonds of an aggregate balance of approximately HK\$7.1 million (31 March 2021: approximately HK\$10.5 million) given by banks.

As at 31 March 2022, the lease liabilities of approximately HK\$7.2 million (31 March 2021: approximately HK\$9.0 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2021: approximately HK\$0.7 million).

Foreign exchange exposures

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to certain procurement of raw material with Renminbi. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group however considers that the currency risk of those monetary liabilities is not significant and did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the Year. The management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital expenditure

Our principal capital expenditures relate primarily to investments in property and equipment excluding right-of-use assets. During the Year, the Group incurred capital expenditure of approximately HK\$102,000 (FY2021: approximately HK\$6.2 million).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 31 March 2022 is set out in Note 15 to the consolidated financial statements. Save as disclosed in Note 15 to the consolidated financial statements, there is no other capital commitment and contingent liabilities that the Group is aware of.

Significant investments, acquisition and disposals

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the reporting period.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments or capital assets as at 31 March 2022.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date, with net proceeds received by the Company from the Share Offer in the amount of approximately HK\$78.2 million (“**Net Proceeds**”) after deducting underwriting commissions and all related expenses. As disclosed in the announcement of the Company dated 30 October 2020 in relation to the change in use of Net Proceeds, to allow the Group to meet its financial needs more efficiently and flexibly, the Board resolved to change the use of the unutilised Net Proceeds. As at 31 March 2022, the Company has fully utilised the Net Proceeds. Set out below is the reallocation of the use of Net Proceeds and the utilised amount of Net Proceeds as at 31 March 2022:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Reallocation of the use of Net Proceeds <i>HK\$ million</i>	Use of Net Proceeds subsequent to the reallocation <i>HK\$ million</i>	Net Proceeds unutilised as at 31 March 2021 <i>HK\$ million</i>	Net Proceeds utilised during the Year <i>HK\$ million</i>	Unutilised Net Proceeds as at 31 March 2022 <i>HK\$ million</i>	Expected timeline for utilising the remaining Net Proceeds
Funding the Upfront Costs to be incurred after the Listing Date for the Awarded UOP Projects	45.2	11.4	56.6	11.8	(11.8)	–	N/A
Being used as collateral for the Performance Bonds to be issued for the Awarded UOP Projects	8.8	–	8.8	–	–	–	N/A
Strengthening our teams of professional staff in Hong Kong	11.7	–	11.7	6.8	(6.8)	–	N/A
Establishing in-house system design team in the PRC	11.4	(11.4)	–	–	–	–	N/A
Purchase of the rights to use BIM solution and enterprise resources Software	1.1	–	1.1	0.2	(0.2)	–	N/A
Total	78.2	–	78.2	18.8	(18.8)	–	

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 54 (31 March 2021: 64) full time employees (including two executive Directors but excluding three independent non-executive Directors). The decrease in the number of employees was mainly attributable to the decrease in the number of project staff. The Group has implemented a tight cost control and adjusts the number of project staff based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as at 31 March 2022 and 2021.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, experiences and position held. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides and organises various types of training to its employees to elevate overall efficiency, employee loyalty and morale. Total staff costs for the FY2022 were approximately HK\$34.7 million (FY2021: approximately HK\$32.3 million).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, the Board is not aware of any significant events, which have material effect on the Group, occurred after 31 March 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the Year.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 5 March 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers of the Group and to promote success of the business of the Group.

No share options were granted, cancelled, exercised or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICE

The Company's corporate governance practices are based on the principles and relevant code provisions as set out under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG Code throughout the Year except where otherwise stated.

On 1 January 2022, the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. As the period under review in this announcement is for the year ended 31 March 2022, the New CG Code does not apply to the corporate governance report for the Year. The Board will continue to review and enhance the Company’s corporate governance policies to ensure compliance with the New CG Code and align with the latest developments.

Chairman and Chief Executive Officer

Mr. Chu is the Chairman and the Chief Executive Officer of the Company. Pursuant to code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 of the New CG Code since 1 January 2022), the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Chu has held the key leadership position of our Group and has been deeply involved in the overall management, strategic planning and development of our business operation since its establishment, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Chu enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

Mr. Chu also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the directors to make active contribution in the Board’s affairs and promoting a culture of openness and debate.

The Board is of the view that although Mr. Chu is both the Chairman and the Chief Executive Officer, the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code throughout the Year.

AUDIT COMMITTEE

The Company established an audit committee of the Company (the “**Audit Committee**”) pursuant to a resolution of the Directors passed on 5 March 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors: Mr. Ma Tsz Chun, Ms. Leung Yin Fai and Ms. Yuen Wai Yee. Mr. Ma Tsz Chun currently serves as the chairman of the Audit Committee.

The Company's consolidated financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the Year comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (FY2021: a final dividend of HK\$20.0 million (equivalent to HK cent 1.0 per Share)).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting (the "**AGM**") will be held on Wednesday, 17 August 2022. A notice convening the AGM will be published in the Company's website of www.lotushorizonholdings.com and despatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 August 2022 to Wednesday, 17 August 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 August 2022.

PUBLICATION OF FINANCIAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.lotushorizonholdings.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 March 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the management team and staff for their hard work and contributions, and to our shareholders, investors and business partners for their trust and support.

By Order of the Board
Lotus Horizon Holdings Limited
CHU Kwok Fun
Chairman and Chief Executive Officer

Hong Kong, 28 June 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. CHU Kwok Fun (Chairman and Chief Executive Officer) and Mr. TSANG Chiu Wan as executive Directors, and Ms. LEUNG Yin Fai, Mr. MA Tsz Chun and Ms. YUEN Wai Yee as independent non-executive Directors.