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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 2023

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 2023, together with the comparative figures for the year ended 31 March 2022 as follows:

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	190,621	223,991
Gross profit	12,819	2,473
Loss before taxation	(8,109)	(26,600)
Loss for the year	(8,102)	(22,656)
Loss per share, basic (<i>HK cents</i>)	(0.41)	(1.13)

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3	190,621	223,991
Cost of sales		<u>(177,802)</u>	<u>(221,518)</u>
Gross profit		12,819	2,473
Other income, gains and losses, net	4	1,584	508
Net impairment losses reversed (recognised) under expected credit loss model	5	627	(6,492)
Operating and administrative expenses		(21,828)	(22,360)
Finance costs	6	<u>(1,311)</u>	<u>(729)</u>
Loss before taxation	7	(8,109)	(26,600)
Income tax credit	8	<u>7</u>	<u>3,944</u>
Loss and total comprehensive expense for the year		<u>(8,102)</u>	<u>(22,656)</u>
Loss per share, basic (<i>HK cents</i>)	10	<u>(0.41)</u>	<u>(1.13)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property and equipment		8,320	11,645
Deposit and prepayment for a life insurance policy		2,923	2,290
Rental deposits	11	728	743
Deferred tax assets		4,287	4,280
		<u>16,258</u>	<u>18,958</u>
Current assets			
Trade and other receivables	11	16,520	26,497
Contract assets	12	79,295	72,819
Tax recoverable		518	518
Pledged bank deposits		3,000	10,776
Bank balances and cash		56,254	46,120
		<u>155,587</u>	<u>156,730</u>
Current liabilities			
Trade and other payables	13	12,956	14,647
Contract liabilities	12	943	695
Lease liabilities		2,328	2,361
Bank borrowings	14	28,788	21,009
		<u>45,015</u>	<u>38,712</u>
Net current assets		<u>110,572</u>	<u>118,018</u>
Total assets less current liabilities		<u>126,830</u>	<u>136,976</u>
Non-current liabilities			
Lease liabilities		3,619	5,663
Other payables	13	750	750
		<u>4,369</u>	<u>6,413</u>
Net assets		<u>122,461</u>	<u>130,563</u>
Capital and reserves			
Share capital		20,000	20,000
Reserves		102,461	110,563
Total equity		<u>122,461</u>	<u>130,563</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law 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**”). 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 Company and its subsidiaries (collectively referred to as 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.

2. APPLICATION OF NEW AND 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 (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Recognised over time		
Design, supply and installation services for		
– façade works	162,650	194,218
– building metal finishing works	27,971	29,773
	190,621	223,991

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 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	59,181	N/A ³
Customer B ¹	45,168	53,108
Customer C ¹	38,867	N/A ³
Customer D ²	23,922	39,917
Customer E ¹	N/A ³	32,462
Customer F ²	N/A ³	23,081

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	124	148
Government grants (<i>Note</i>)	1,227	–
Guaranteed income from a life insurance policy	240	92
Sundry income	6	268
	<u>1,597</u>	<u>508</u>
Other gains and losses, net		
Exchange loss	(14)	–
Gain arising from early termination of a lease contract	1	–
	<u>(13)</u>	<u>–</u>
	<u>1,584</u>	<u>508</u>

Note: During the year ended 31 March 2023, the Group received government grants of HK\$1,227,000 (2022: Nil) under the Employment Support Scheme provided by the Hong Kong government.

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net impairment losses reversed (recognised) on:		
– trade receivables	317	(3,379)
– contract assets	310	(3,113)
	<u>627</u>	<u>(6,492)</u>

6. FINANCE COSTS

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on:		
– bank borrowings	979	306
– lease liabilities	332	423
	<u>1,311</u>	<u>729</u>

7. LOSS BEFORE TAXATION

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	540	540
Other emoluments	4,268	4,374
	<u>4,808</u>	4,914
Other staff costs		
Salaries and other benefits	25,764	28,825
Retirement benefit scheme contributions for other staffs	789	918
	<u>31,361</u>	<u>34,657</u>
Auditor's remuneration	1,080	1,080
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	29	56
Depreciation on property and equipment	3,589	3,699
and after crediting:		
Guaranteed income from a life insurance policy	<u>240</u>	<u>92</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The income tax credit comprises:		
Overprovision of Hong Kong Profits Tax in prior years	–	42
Deferred tax credit	<u>7</u>	<u>3,902</u>
	<u><u>7</u></u>	<u><u>3,944</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend paid for 2022 of Nil (2022: final dividend paid for 2021 of HK cent 1.0 per share)	<u>–</u>	<u>20,000</u>

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2023.

10. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss:		
Loss for the year for the purpose of calculating basic loss per share	<u>(8,102)</u>	<u>(22,656)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>2,000,000</u>	<u>2,000,000</u>

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

11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	12,227	24,102
Less: Allowances for impairment	(3,356)	(3,673)
	8,871	20,429
Rental deposits	728	743
Deposits and prepayments	7,079	5,455
Other receivables	570	613
	17,248	27,240
Less: Rental deposits classified as non-current portion	(728)	(743)
Current portion of trade and other receivables	16,520	26,497

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 2021, the trade receivables amounted to HK\$17,872,000, net of loss allowances of HK\$294,000.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	7,305	5,254
31 to 60 days	–	834
61 to 90 days	1,324	14,335
Over 90 days	242	6
	8,871	20,429

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
– façade works	65,253	68,070
– building metal finishing works	<u>18,787</u>	<u>9,804</u>
	<u>84,040</u>	<u>77,874</u>
Less: Allowances for impairment		
– façade works	(4,690)	(5,039)
– building metal finishing works	<u>(55)</u>	<u>(16)</u>
	<u>(4,745)</u>	<u>(5,055)</u>
	<u><u>79,295</u></u>	<u><u>72,819</u></u>
Contract assets, net of allowances for impairment		
– façade works	60,563	63,031
– building metal finishing works	<u>18,732</u>	<u>9,788</u>
	<u><u>79,295</u></u>	<u><u>72,819</u></u>
Contract liabilities		
– façade works	(136)	(216)
– building metal finishing works	<u>(807)</u>	<u>(479)</u>
	<u><u>(943)</u></u>	<u><u>(695)</u></u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed on a gross basis for each respective contract:		
Contract assets		
– façade works	65,925	73,129
– building metal finishing works	19,291	10,526
	<u>85,216</u>	<u>83,655</u>
Less: Allowances for impairment		
– façade works	(4,690)	(5,039)
– building metal finishing works	(55)	(16)
	<u>(4,745)</u>	<u>(5,055)</u>
	<u>80,471</u>	<u>78,600</u>
Contract assets, net of allowances for impairment		
– façade works	61,235	68,090
– building metal finishing works	19,236	10,510
	<u>80,471</u>	<u>78,600</u>
Contract liabilities		
– façade works	(808)	(5,275)
– building metal finishing works	(1,311)	(1,201)
	<u>(2,119)</u>	<u>(6,476)</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.

Retention receivables, included in contracts assets, represent the money withheld by the customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money (accumulated up to maximum 5% of contract sum). 50% of retention receivable is normally recoverable upon the issuance of the certificate of practical completion by the architects for the completion of respective projects. The remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective projects. Any amount of retention receivables previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiceable to the customer. The retention money does not have any significant financing component for financing benefit. The amounts are unsecured and interest-free.

As at 1 April 2021, the contract assets amounted to HK\$77,469,000 on a gross basis for each respective contract, net of loss allowances of HK\$1,942,000, and amounted to HK\$76,834,000 on a net basis for each respective contract, net of loss allowances of HK\$1,942,000, respectively.

As at 31 March 2023, the carrying amounts of retention receivables, included in contract assets, net of loss allowances, held by customers for contract works amounting to HK\$31,138,000 (2022: HK\$28,143,000).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
On demand or within one year	13,025	12,190
After one year	18,113	15,953
	31,138	28,143

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 2021 and 31 March 2022 have been recognised as revenue for the years ended 31 March 2022 and 31 March 2023, respectively. The contract liabilities as at 31 March 2023 will be recognised as revenue for the year ending 31 March 2024.

As at 1 April 2021, the contract liabilities amounted to HK\$1,273,000 on a gross basis for each respective contract and amounted to HK\$638,000 on a net basis for each respective contract, respectively.

13. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	8,122	10,195
Retention payables	2,297	2,227
Provision for reinstatement cost	750	750
Other payables	108	–
Provision for an onerous contract	272	–
Accrued expenses	2,157	2,225
	13,706	15,397
Less: provision classified as non-current portion	(750)	(750)
Current portion of trade and other payables	12,956	14,647

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	8,010	8,891
31 to 60 days	112	1,304
	8,122	10,195

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

14. BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Variable-rate, secured and guaranteed bank borrowings, repayable within one year and on demand clause*	<u>28,788</u>	<u>21,009</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 2023 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.75% per annum (2022: HIBOR plus 1.8% to 2.0% per annum).

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

	2023	2022
Effective interest rates per annum:		
Variable-rate bank borrowings	<u>4.6%–7.7%</u>	<u>1.9%–2.7%</u>

As at 31 March 2023, the pledged bank deposits of HK\$3,000,000 (2022: HK\$3,000,000) have been pledged to secure the banking facilities granted to the Group.

As at 31 March 2023, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$28,788,000 (2022: HK\$21,009,000).

15. PERFORMANCE GUARANTEES

As at 31 March 2023, surety bonds of an aggregate balance of HK\$17,829,000 (2022: HK\$7,102,000) were given by a financial institution 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 financial institution to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such financial institution 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 not secured by any of the Group’s pledged bank deposits (2022: secured by the Group’s pledged bank deposits of HK\$7,776,000) as at 31 March 2023.

As at 31 March 2023, 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 (2022: 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.

As at 31 March 2023, the Group had 12 projects in progress with a total original contract sum of approximately HK\$765.9 million. Total revenue of approximately HK\$190.6 million was recognised during the year ended 31 March 2023 (the “Year” or “FY2023”).

During the Year, the Group has been awarded 9 new projects with a total contract sum of approximately HK\$252.7 million, which comprise 6 projects for façade works and 3 projects for building metal finishing works. As at 31 March 2023, the outstanding value of our projects on hand was approximately HK\$440.1 million, as compared to approximately HK\$355.4 million as at 31 March 2022.

The profit margins of our ongoing projects, which were awarded in prior years, remained under pressure. The overall building materials prices and logistics costs retained at a relatively high level during the reporting period.

OUTLOOK AND PROSPECTS

Looking forward, in view of a series of policy measures mentioned in the Chief Executive’s 2022 Policy Address of the Hong Kong government, we believe the local construction market is full of opportunities. However, in view of the global economic uncertainties, the local property developers and owners are expected to continue their stringent control on project budgets. We will keep taking a prudent approach on bidding new projects and strive for obtaining new projects with reasonable profit margins.

It is expected that the Group’s gross profit margin will recover gradually when those new projects get started upcoming. Cost control measures will be kept in place in order to reduce the potential impact of global economic uncertainties and closely monitor the trends of the global and local market. The Group will continue to maintain sufficient financial resources to tackle potential changes of the market and to capture any new opportunities.

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 2023 and 2022:

	Year ended 31 March			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	162,650	85.3	194,218	86.7
Building metal finishing works	27,971	14.7	29,773	13.3
Total	190,621	100.0	223,991	100.0

The Group's revenue decreased by approximately HK\$33.4 million or 14.9% from approximately HK\$224.0 million for the year ended 31 March 2022 (the "Previous Year" or "FY2022") to approximately HK\$190.6 million for the Year. The decline in revenue recognised was primarily attributed to the delayed construction programmes of two key façade projects during the Year and certain projects, which contributed significant amounts of revenue in the Previous Year, completed during the Year.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2023 and 2022:

	Year ended 31 March			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	96,455	50.6	136,376	60.9
Commercial properties	6,464	3.4	9,561	4.3
Public facilities	87,702	46.0	78,054	34.8
Total	190,621	100.0	223,991	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 2023 and 2022:

	Year ended 31 March			
	2023		2022	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Façade works	9,017	5.5	1,860	1.0
Building metal finishing works	3,802	13.6	613	2.1
Total	<u>12,819</u>	<u>6.7</u>	<u>2,473</u>	<u>1.1</u>

The Group's gross profit increased by approximately HK\$10.3 million from approximately HK\$2.5 million for the FY2022 to approximately HK\$12.8 million for the FY2023. The gross profit margin increased from approximately 1.1% for the FY2022 to approximately 6.7% for the FY2023. The significant increase of gross profit margin was mainly resulted from the reduction in additional project overhead costs, subcontracting costs and other costs incurred for acceleration of installation progress and defects fixing due to the delay in construction progress and persistent adverse impact of the COVID-19 pandemic; while such positive effect was partially offset by the impact of relatively high building materials prices and logistics cost sustained during the Year.

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 2023 and 2022:

	Year ended 31 March			
	2023		2022	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Residential properties	5,430	5.6	(3,715)	(2.7)
Commercial properties	713	11.0	(192)	(2.0)
Public facilities	6,676	7.6	6,380	8.2
Total	<u>12,819</u>	<u>6.7</u>	<u>2,473</u>	<u>1.1</u>

Other income, gains and losses, net

During the FY2023, we recognised other income, gains and losses, net of approximately HK\$1.6 million, as compared with other income of approximately HK\$508,000 recognised during the FY2022, which was primarily arisen from a one-off lump sum government subsidy of approximately HK\$1.2 million under the Employment Support Scheme.

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

The amounts represent impairment losses, net of reversal, made on trade receivables and contract assets. The net impairment losses reversed of approximately HK\$627,000 in the FY2023 was resulted from the reversal of non-credit-impaired lifetime expected credit losses on trade receivables and contract assets of approximately HK\$317,000 and HK\$310,000 respectively.

In the Previous Year, 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, net of the reversal of non-credit-impaired lifetime expected credit losses of approximately HK\$163,000, led to the net impairment losses of approximately HK\$6.5 million.

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 FY2023, the Group's operating and administrative expenses were approximately HK\$21.8 million, representing a decrease of approximately HK\$0.6 million or 2.4% from approximately HK\$22.4 million for the FY2022. The decrease was mainly attributable to the decrease in staff costs recognised as operating and administrative expenses of approximately HK\$412,000 and the decrease in depreciation on property and equipment of approximately HK\$110,000 during the FY2023.

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 FY2023, the finance costs were approximately HK\$1.3 million, increased by approximately HK\$0.6 million from approximately HK\$0.7 million for the FY2022. The increase in finance costs was mainly due to the increase in interests on bank borrowings by approximately HK\$673,000.

Income tax credit

The Group's income tax credit for the FY2023 comprises deferred tax credit of approximately HK\$7,000 (FY2022: over-provision of Hong Kong profits tax in prior year of approximately HK\$42,000 and deferred tax credit of approximately HK\$3.9 million). The deferred tax credit in the FY2022 was mainly attributed to the deferred tax asset of approximately HK\$3.8 million recognised for the unused tax loss carried forward. No deferred tax asset has been recognised in respect of the tax losses of approximately HK\$7.0 million in the FY2023 due to the unpredictability of future profits streams.

Loss and total comprehensive expense for the year

The Group's net loss reduced from approximately HK\$22.7 million for the Previous Year to approximately HK\$8.1 million for the Year, mainly resulted from the increase in gross profit and decrease in net impairment losses recognised as explained above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2023, the Group had net current assets of approximately HK\$110.6 million (31 March 2022: approximately HK\$118.0 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 3.5 times as at 31 March 2023 (31 March 2022: approximately 4.0 times).

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

As at 31 March 2023, the Group had bank balances and cash of approximately HK\$56.3 million (31 March 2022: approximately HK\$46.1 million).

Bank borrowings

As at 31 March 2023, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$115.0 million, out of which an aggregate amount of approximately HK\$46.6 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 23.5% as at 31 March 2023 (31 March 2022: approximately 16.1%).

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.

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 2023, the pledged bank deposits of approximately HK\$3.0 million (31 March 2022: approximately HK\$10.8 million) have been pledged to secure banking facilities granted to the Group given by a bank (31 March 2022: to secure banking facilities granted to the Group and surety bonds of an aggregate balance of approximately HK\$7.1 million given by banks).

As at 31 March 2023, the lease liabilities of approximately HK\$5.1 million (31 March 2022: approximately HK\$7.2 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2022: 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\$69,000 (FY2022: approximately HK\$102,000).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 31 March 2023 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 elsewhere in this announcement, the Group did not have other plans for material investments or capital assets as at 31 March 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2023, the Group had 54 (31 March 2022: 54) full time employees (including two executive Directors but excluding three independent non-executive Directors). 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 numbers of project staff and administrative staff were relatively stable as at 31 March 2023 and 2022.

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 FY2023 were approximately HK\$31.4 million (FY2022: approximately HK\$34.7 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 2023 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**”), as amended from time to time, contained in Appendix 14 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the code provisions as set out under the CG Code throughout the Year except where otherwise stated. The Board will continue to review and enhance the Company’s corporate governance policies to ensure compliance with statutory and professional standards 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 C.2.1 of the CG Code, 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 has established an audit committee of the Company (the “**Audit Committee**”) 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 audited consolidated financial statements for the Year have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the audited 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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (FY2022: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting (the "AGM") will be held on Thursday, 17 August 2023. 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 Monday, 14 August 2023 to Thursday, 17 August 2023 (both days inclusive) during which period no transfer of shares of the Company (the "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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 August 2023.

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 2023 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 2023

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.