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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 2024

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 2024, together with the comparative figures for the year ended 31 March 2023 as follows:

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	242,638	190,621
Gross profit	26,393	12,819
Profit/(loss) before taxation	3,929	(8,109)
Profit/(loss) for the year	3,320	(8,102)
Earnings/(loss) per share, basic (<i>HK cents</i>)	0.17	(0.41)

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	242,638	190,621
Cost of sales		<u>(216,245)</u>	<u>(177,802)</u>
Gross profit		26,393	12,819
Other income, gains and losses, net	4	1,680	1,584
Net impairment losses reversed under expected credit loss model	5	248	627
Operating and administrative expenses		(22,946)	(21,828)
Finance costs	6	<u>(1,446)</u>	<u>(1,311)</u>
Profit (loss) before taxation	7	3,929	(8,109)
Income tax (expense) credit	8	<u>(609)</u>	<u>7</u>
Profit (loss) and total comprehensive income (expense) for the year		<u>3,320</u>	<u>(8,102)</u>
Earnings (loss) per share, basic (<i>HK cents</i>)	10	<u>0.17</u>	<u>(0.41)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property and equipment		4,927	8,320
Deposit and prepayment for a life insurance policy		–	2,923
Rental deposits	11	728	728
Deferred tax assets		3,678	4,287
		<u>9,333</u>	<u>16,258</u>
Current assets			
Trade and other receivables	11	41,220	16,520
Contract assets	12	43,192	79,295
Tax recoverable		–	518
Pledged bank deposits		3,000	3,000
Bank balances and cash		75,452	56,254
		<u>162,864</u>	<u>155,587</u>
Current liabilities			
Trade and other payables	13	22,665	12,956
Contract liabilities	12	19,319	943
Lease liabilities		2,469	2,328
Bank borrowings	14	–	28,788
		<u>44,453</u>	<u>45,015</u>
Net current assets		<u>118,411</u>	<u>110,572</u>
Total assets less current liabilities		<u>127,744</u>	<u>126,830</u>
Non-current liabilities			
Lease liabilities		1,213	3,619
Other payables	13	750	750
		<u>1,963</u>	<u>4,369</u>
Net assets		<u>125,781</u>	<u>122,461</u>
Capital and reserves			
Share capital		20,000	20,000
Reserves		105,781	102,461
Total equity		<u>125,781</u>	<u>122,461</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

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 are 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 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**”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendment to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the other new and 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statements 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance.

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.

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Recognised over time		
Design, supply and installation services for		
– façade works	151,755	162,650
– building metal finishing works	<u>90,883</u>	<u>27,971</u>
	<u><u>242,638</u></u>	<u><u>190,621</u></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 profit (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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ²	125,293	38,867
Customer B ¹	37,665	59,181
Customer C ²	31,960	23,922
Customer D ²	30,535	N/A ³
Customer E ¹	N/A ³	45,168

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income		
Bank interest income	1,154	124
Government grants (<i>Note</i>)	–	1,227
Income from a life insurance policy	526	240
Sundry income	–	6
	<u>1,680</u>	<u>1,597</u>
Other gains and losses, net		
Exchange loss	–	(14)
Gain arising from early termination of a lease contract	–	1
	<u>–</u>	<u>(13)</u>
	<u>1,680</u>	<u>1,584</u>

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

5. NET IMPAIRMENT LOSSES REVERSED UNDER EXPECTED CREDIT LOSS MODEL

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net impairment losses (recognised) reversed on:		
– trade receivables	(71)	317
– contract assets	319	310
	<u>248</u>	<u>627</u>

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interests on:		
– bank borrowings	1,200	979
– lease liabilities	246	332
	<u>1,446</u>	<u>1,311</u>

7. PROFIT (LOSS) BEFORE TAXATION

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	540	540
Other emoluments	4,474	4,268
	<u>5,014</u>	<u>4,808</u>
Other staff costs		
Salaries and other benefits	31,338	25,764
Retirement benefit scheme contributions for other staff	894	789
	<u>37,246</u>	<u>31,361</u>
Total staff costs		
	<u>1,100</u>	<u>1,080</u>
Auditor's remuneration		
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	–	29
Depreciation on property and equipment	3,505	3,589
and after crediting:		
Income from a life insurance policy	<u>526</u>	<u>240</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 (EXPENSE) CREDIT

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The income tax (expense) credit comprises:		
Deferred tax (expense) credit	<u>(609)</u>	<u>7</u>

No provision for Hong Kong Profits Tax had been made in the financial statements for the year ended 31 March 2024 as the estimated assessment profit was wholly absorbed by tax losses brought forward and no assessable profit for the year ended 31 March 2023.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 March 2024.

10. EARNINGS (LOSS) PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Earnings (loss):		
Profit (loss) for the year for the purpose of calculating basic earnings (loss) per share	<u>3,320</u>	<u>(8,102)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>2,000,000</u>	<u>2,000,000</u>

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

11. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	34,525	12,227
Less: Allowances for impairment	<u>(3,427)</u>	<u>(3,356)</u>
	31,098	8,871
Rental deposits	728	728
Deposits and prepayments	9,392	7,079
Other receivables	<u>730</u>	<u>570</u>
	41,948	17,248
Less: Rental deposits classified as non-current portion	<u>(728)</u>	<u>(728)</u>
Current portion of trade and other receivables	<u><u>41,220</u></u>	<u><u>16,520</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 2022, the trade receivables amounted to HK\$20,429,000, net of loss allowances of HK\$3,673,000.

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	18,315	7,305
31 to 60 days	11,378	–
61 to 90 days	245	1,324
Over 90 days	<u>1,160</u>	<u>242</u>
	<u><u>31,098</u></u>	<u><u>8,871</u></u>

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
– façade works	33,672	65,253
– building metal finishing works	<u>13,946</u>	<u>18,787</u>
	<u>47,618</u>	<u>84,040</u>
Less: Allowances for impairment		
– façade works	(4,394)	(4,690)
– building metal finishing works	<u>(32)</u>	<u>(55)</u>
	<u>(4,426)</u>	<u>(4,745)</u>
	<u>43,192</u>	<u>79,295</u>
Contract assets, net of allowances for impairment		
– façade works	29,278	60,563
– building metal finishing works	<u>13,914</u>	<u>18,732</u>
	<u>43,192</u>	<u>79,295</u>
Contract liabilities		
– façade works	(15,510)	(136)
– building metal finishing works	<u>(3,809)</u>	<u>(807)</u>
	<u>(19,319)</u>	<u>(943)</u>

	2024 HK\$'000	2023 HK\$'000
Analysed on a gross basis for each respective contract:		
Contract assets		
– façade works	39,055	65,925
– building metal finishing works	14,582	19,291
	<u>53,637</u>	<u>85,216</u>
Less: Allowances for impairment		
– façade works	(4,394)	(4,690)
– building metal finishing works	(32)	(55)
	<u>(4,426)</u>	<u>(4,745)</u>
	<u>49,211</u>	<u>80,471</u>
Contract assets, net of allowances for impairment		
– façade works	34,661	61,235
– building metal finishing works	14,550	19,236
	<u>49,211</u>	<u>80,471</u>
Contract liabilities		
– façade works	(21,211)	(808)
– building metal finishing works	(4,127)	(1,311)
	<u>(25,338)</u>	<u>(2,119)</u>

Contract assets

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 2022, the contract assets amounted to HK\$78,600,000 on a gross basis for each respective contract, net of loss allowances of HK\$5,055,000, and amounted to HK\$72,819,000 on a net basis for each respective contract, net of loss allowances of HK\$5,055,000, respectively.

As at 31 March 2024, the carrying amounts of retention receivables, included in contract assets, net of loss allowances, held by customers for contract works amounting to HK\$38,983,000 (2023: HK\$31,138,000).

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
On demand or within one year	16,443	13,025
After one year	22,540	18,113
	<u>38,983</u>	<u>31,138</u>

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

13. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	15,287	8,122
Retention payables	5,101	2,297
Provision for reinstatement cost	750	750
Other payables	20	108
Provision for an onerous contract	–	272
Accrued expenses	2,257	2,157
	<u>23,415</u>	13,706
Less: provision classified as non-current portion	<u>(750)</u>	<u>(750)</u>
Current portion of trade and other payables	<u>22,665</u>	<u>12,956</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	15,287	8,010
31 to 60 days	–	112
	<u>15,287</u>	<u>8,122</u>

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

14. BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Variable-rate, secured and guaranteed bank borrowings, repayable within one year and on demand clause*	–	28,788

* 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. The Group has repaid all bank borrowings during the year ended 31 March 2024.

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

	2024	2023
Effective interest rates per annum: Variable-rate bank borrowings	<u>6.0%–7.8%</u>	<u>4.6%–7.7%</u>

As at 31 March 2024, the pledged bank deposits of HK\$3,000,000 (2023: 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 (2024: Nil).

15. PERFORMANCE GUARANTEES

As at 31 March 2024, surety bonds of an aggregate balance of HK\$11,890,000 (2023: HK\$17,829,000) 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 as at 31 March 2024.

As at 31 March 2024, 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 (2023: 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 2024, the Group had 15 projects in progress with a total original contract sum of approximately HK\$704.4 million. Total revenue of approximately HK\$242.6 million was recognised during the year ended 31 March 2024 (the “Year” or “FY2024”).

During the Year, the Group has been awarded 12 new projects with a total contract sum of approximately HK\$92.1 million, which comprise 7 projects for façade works and 5 projects for building metal finishing works. As at 31 March 2024, the outstanding value of our projects on hand was approximately HK\$327.2 million, as compared to approximately HK\$440.1 million as at 31 March 2023.

After 31 March 2024 and up to the date of this announcement, 2 more new projects with aggregate contract sum of approximately HK\$88.5 million were awarded to the Group.

The Group’s overall gross profit margin continued to improve during the Year thanks to a series of successful cost control measures imposed.

OUTLOOK AND PROSPECTS

An array of measures on Hong Kong’s economic development have been mentioned in the Chief Executive’s 2023 Policy Address, which showed numerous commitments on land and housing supply as well as the continued investment in construction industry. The outlined development of the Northern Metropolis will be the upcoming new engine for growth. It is expected that Hong Kong’s construction industry is full of opportunities in long term, though we should address the challenge of current global economic uncertainties through maintaining our competitive strengths.

Competition in the construction market is fierce under the challenging economic environment. The local property developers and owners are expected to continue their stringent control on project budgets. The profit margins of our projects will remain under pressure. In order to manage the underlying risks, we will maintain the prudent approach on bidding new projects and keep our cost control measures in place. We strive to strengthen our competitive strengths to capture the future opportunities upcoming.

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 2024 and 2023:

	Year ended 31 March			
	2024		2023	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Façade works	151,755	62.5	162,650	85.3
Building metal finishing works	90,883	37.5	27,971	14.7
Total	242,638	100.0	190,621	100.0

The Group's revenue increased by approximately HK\$52.0 million or 27.3% from approximately HK\$190.6 million for the year ended 31 March 2023 (the “**Previous Year**” or “**FY2023**”) to approximately HK\$242.6 million for the Year. The significant increase in revenue recognised was primarily attributed to the lifting of anti-epidemic precautionary measures and restrictions in December 2022 and the normalisation of certain key projects' construction progress during the Year.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2024 and 2023:

	Year ended 31 March			
	2024		2023	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential properties	145,974	60.2	96,455	50.6
Commercial properties	1,202	0.5	6,464	3.4
Public facilities	95,462	39.3	87,702	46.0
Total	242,638	100.0	190,621	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 2024 and 2023:

	Year ended 31 March			
	2024		2023	
	Gross profit margin <i>HK\$'000</i>	<i>(%)</i>	Gross profit margin <i>HK\$'000</i>	<i>(%)</i>
Façade works	16,101	10.6	9,017	5.5
Building metal finishing works	10,292	11.3	3,802	13.6
Total	<u>26,393</u>	<u>10.9</u>	<u>12,819</u>	<u>6.7</u>

The Group's gross profit increased by approximately HK\$13.6 million from approximately HK\$12.8 million for the FY2023 to approximately HK\$26.4 million for the FY2024. The gross profit margin increased from approximately 6.7% for the FY2023 to approximately 10.9% for the FY2024. The improvement on gross profit margin was mainly resulted from the enhancement of project costs control.

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 2024 and 2023:

	Year ended 31 March			
	2024		2023	
	Gross profit margin <i>HK\$'000</i>	<i>(%)</i>	Gross profit margin <i>HK\$'000</i>	<i>(%)</i>
Residential properties	17,680	12.1	5,430	5.6
Commercial properties	951	79.1	713	11.0
Public facilities	7,762	8.1	6,676	7.6
Total	<u>26,393</u>	<u>10.9</u>	<u>12,819</u>	<u>6.7</u>

The gross profit margin of commercial properties projects increased from approximately 11.0% for the FY2023 to approximately 79.1% for the FY2024 since the variation orders of two completed projects were assessed by main contractors at amounts higher than budgeted, leading to recognition of additional revenue during the Year.

Other income, gains and losses, net

During the FY2024, we recognised other income, gains and losses, net of approximately HK\$1.7 million, as compared with other income of approximately HK\$1.6 million recognised during the FY2023. The amount recognised for the Year includes bank interest income of approximately HK\$1.2 million and income from a life insurance policy of HK\$526,000, while that for the Previous Year mainly contributed from a government subsidy of approximately HK\$1.2 million, bank interest income of HK\$124,000 and income from a life insurance policy of HK\$240,000.

Net impairment losses 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 HK\$70,000 on trade receivables, net of the reversal of impairment loss on a contract assets recognised in prior year of HK\$318,000, resulting in net impairment losses reversed of HK\$248,000 for the Year.

The net impairment losses reversed of HK\$627,000 in the FY2023 was resulted from the reversal of impairment losses on trade receivables and contract assets of approximately HK\$317,000 and HK\$310,000 respectively.

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 FY2024, the Group's operating and administrative expenses were approximately HK\$22.9 million, representing an increase of approximately HK\$1.1 million or 5.1% from approximately HK\$21.8 million for the FY2023. The increase was mainly attributable to the increase in staff costs recognised as operating and administrative expenses of approximately HK\$2.4 million, net of the decrease in legal and professional expenses of approximately HK\$1.5 million during the FY2024.

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 FY2024, the finance costs were approximately HK\$1.4 million, increased by approximately HK\$0.1 million from approximately HK\$1.3 million for the FY2023. The increase in finance costs was mainly due to the increase in interests on bank borrowings.

Income tax (expense) credit

The Group's income tax expense for the FY2024 comprises deferred tax expense of HK\$609,000 (FY2023: deferred tax credit of HK\$7,000). The deferred tax expense for the FY2024 was mainly attributed to the utilisation of tax loss recognised as deferred tax asset in prior years.

Profit (loss) and total comprehensive income (expense) for the year

As a result of the foregoing factors, the Group's net profit for the Year was amounted to approximately HK\$3.3 million, compared to the Group's net loss of approximately HK\$8.1 million for the Previous Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2024, the Group had net current assets of approximately HK\$118.4 million (31 March 2023: approximately HK\$110.6 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 3.6 times as at 31 March 2024 (31 March 2023: approximately 3.5 times).

The Group finances its operations primarily through a combination of cash flows generated from operations and bank borrowings. The increase of current ratio and bank balances was primarily attributable to the net cash flow generated from its operation during the Year.

As at 31 March 2024, the Group had bank balances and cash of approximately HK\$75.5 million (31 March 2023: approximately HK\$56.3 million).

Bank borrowings

As at 31 March 2024, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$114.7 million, out of which an amount of approximately HK\$11.9 million was utilised for performance guarantees.

The Group did not utilise any banking facilities for bank borrowings as at 31 March 2024. The gearing ratio of the Group, calculated based on the Group's total bank borrowings divided by total equity and multiplied by 100%, was zero as at 31 March 2024 (31 March 2023: approximately 23.5%).

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.

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 2024, the pledged bank deposits of approximately HK\$3.0 million (31 March 2023: approximately HK\$3.0 million) have been pledged to secure banking facilities granted to the Group given by a bank.

As at 31 March 2024, the lease liabilities of approximately HK\$3.0 million (31 March 2023: approximately HK\$5.1 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2023: 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 HK\$40,000 (FY2023: HK\$69,000).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 31 March 2024 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 the 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 2024.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2024, the Group had 58 (31 March 2023: 54) full time employees (including two executive Directors but excluding three independent non-executive Directors). The increase in the number of employees was mainly attributable to the increase 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 2024 and 2023.

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 FY2024 were approximately HK\$37.2 million (FY2023: approximately HK\$31.4 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 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

Share options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. Despite the terms of the Share Option Scheme, any grant of share options by the Company will comply with the Listing Rules from time to time.

The number of options available for grant under the scheme mandate at the beginning and the end of the Year was 200,000,000.

As at the date of this announcement, the total number of shares available for issue under the Share Option Scheme was 200,000,000, representing 10% of the entire issued share capital of the Company.

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 C1 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the code provisions as set out in Part 2 of 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 currently the chairman of the Board 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 be segregated and should not be performed by the same individual. Taking into account Mr. Chu has held the key leadership position of the Group and has been deeply involved in the overall management, strategic planning and development of the 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 believes that it is in the best interests of the Group and the shareholders of the Company as a whole to have Mr. Chu taking up both roles. The Board is of the view that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the 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 C3 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 C1 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 2024 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 2024. 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 (FY2023: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting (the "AGM") will be held on Friday, 16 August 2024. A notice convening the AGM will be published in the Company's website at www.lotushorizonholdings.com and despatched to the shareholders of the Company 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 Tuesday, 13 August 2024 to Friday, 16 August 2024 (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 Monday, 12 August 2024.

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 2024 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 2024

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