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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Revenue	<b>98,973</b>	126,217
Gross profit	<b>22,981</b>	36,161
Profit before taxation	<b>9,029</b>	22,640
Profit for the period	<b>7,544</b>	18,091
Earnings per share, basic (HK cents)	<b>0.38</b>	1.21

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Lotus Horizon Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 September 2020 together with comparative figures for the corresponding period in 2019 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	3	<b>98,973</b>	126,217
Cost of sales		<b>(75,992)</b>	(90,056)
Gross profit		<b>22,981</b>	36,161
Other income, gains and losses, net	4	<b>652</b>	36
Impairment losses (recognized) reversed, net		<b>(424)</b>	41
Operating and administrative expenses		<b>(12,371)</b>	(7,023)
Finance costs		<b>(498)</b>	(662)
Listing expenses		<b>(1,311)</b>	(5,913)
Profit before taxation	5	<b>9,029</b>	22,640
Income tax expense	6	<b>(1,485)</b>	(4,549)
Profit and total comprehensive income for the period		<b>7,544</b>	18,091
Earnings per share, basic ( <i>HK cents</i> )	8	<b>0.38</b>	1.21

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 September 2020*

		<b>As at 30 September 2020</b>	As at 31 March 2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>			
Property and equipment		<b>15,658</b>	3,701
Deposit and prepayment for a life insurance policy		<b>1,507</b>	1,228
Rental deposits		<b>747</b>	283
Deferred tax assets		<b>222</b>	153
		<b>18,134</b>	5,365
<b>Current assets</b>			
Trade and other receivables	<i>9</i>	<b>16,126</b>	21,269
Contract assets	<i>10</i>	<b>99,024</b>	79,313
Pledged bank deposits		<b>22,962</b>	5,122
Bank balances and cash		<b>59,929</b>	13,960
		<b>198,041</b>	119,664
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>21,367</b>	21,281
Lease liabilities		<b>2,154</b>	1,466
Taxation payable		<b>3,843</b>	4,039
Bank borrowings	<i>12</i>	<b>20,776</b>	34,582
		<b>48,140</b>	61,368
<b>Net current assets</b>		<b>149,901</b>	58,296
<b>Total assets less current liabilities</b>		<b>168,035</b>	63,661
<b>Non-current liability</b>			
Lease liabilities		<b>9,008</b>	1,397
<b>Net assets</b>		<b>159,027</b>	62,264
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>20,000</b>	_#
Reserves		<b>139,027</b>	62,264
<b>Total equity</b>		<b>159,027</b>	62,264

# Less than HK\$1,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Lotus Horizon Holdings Limited (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 Date**”) (the “**Listing**”). The addresses of the Company’s registered office 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 (“**Platinum Lotus**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder of the Group 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 unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000), except when otherwise stated.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2020 (“**Financial Statements 2020**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have not been audited or reviewed by Company’s external auditors, but have been reviewed by the audit committee of the Company.

### (b) Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

### 3. REVENUE

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 period.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Recognised over time</b>		
Design, supply and installation services for		
— façade works	<b>79,991</b>	97,088
— building metal finishing works	<b>18,982</b>	29,129
	<b>98,973</b>	126,217

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 an 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 for the period of the Group as a whole to make decisions about resource 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.

#### **Transaction price allocated to the remaining performance obligations for contracts with customers**

The table below shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	<b>As at</b>	As at
	<b>30 September</b>	30 September
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision of design, supply and installation services for façade works and building metal finishing works	<b>364,194</b>	320,876

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of design, supply and installation services for façade works and building metal finishing works as at 30 September 2020 will be recognised as revenue during the years ending 31 March 2021 to 31 March 2023 (31 March 2020: years ending 31 March 2021 to 31 March 2022).

## 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 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 period are as follows:

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	15,971	N/A <sup>3</sup>
Customer B <sup>2</sup>	13,922	25,417
Customer C <sup>1</sup>	13,900	N/A <sup>3</sup>
Customer D <sup>1</sup>	10,439	— <sup>4</sup>

Notes:

1. Revenue from design, supply and installation services for façade works.
2. Revenue from design, supply and installation services for building metal finishing works.
3. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the period.
4. No revenue was derived during the period.

## 4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Loss on disposal of property and equipment	(1,498)	—
Gain arising from early termination of a lease contract	142	—
Sundry income ( <i>note</i> )	2,008	36

Note: For the six months ended 30 September 2020, the amount mainly includes salary subsidy from the government amounting to approximately HK\$1.7 million.

## 5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit before taxation has been arrived at after charging:</b>		
Directors' remunerations		
Fee	–	–
Other emoluments	<u>1,947</u>	<u>1,115</u>
	<b>1,947</b>	<b>1,115</b>
Other staff costs		
Salaries and other benefits	<b>13,168</b>	10,354
Retirement benefit scheme contributions for other staffs	<u>379</u>	<u>328</u>
Total staff costs	<u><b>15,494</b></u>	<u>11,797</u>
Auditor's remuneration	<b>700</b>	600
Variable rents in respect of office equipment which are not included in lease liabilities ( <i>Note</i> )	<b>22</b>	19
Depreciation on property and equipment	<b>1,718</b>	896
and after crediting:		
Bank interest income	<u><b>192</b></u>	<u>8</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.

## 6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense comprises:		
Hong Kong Profits Tax		
Current period	<b>1,552</b>	4,542
Underprovision in prior year	<u>3</u>	–
	<b>1,555</b>	4,542
Deferred tax (credit) charge	<u>(70)</u>	<u>7</u>
	<u><b>1,485</b></u>	<u>4,549</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%.

## 7. DIVIDENDS

For the six months ended 30 September 2020, the Board of Directors has resolved not to declare any interim dividend (the six months ended 30 September 2019: Nil).

## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 September</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Profit for the period attributable to owners of the Company	<u>7,544</u>	<u>18,091</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>1,961,749</u>	<u>1,500,000</u>

The calculation of basic earnings per share for the six months ended 30 September 2020 and 2019 is based on the profit for the periods attributable to owners of the Company and the weighted average number of ordinary shares in issue.

The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share had been determined on the assumption that the Reorganisation as set out in the section “History, Development, and Reorganisation” in the prospectus of the Company dated 30 March 2020 and the capitalisation issue as described in note 13 have been effective on 1 April 2018.

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

## 9. TRADE AND OTHER RECEIVABLES

	<b>As at 30 September 2020</b>	As at 31 March 2020
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>9,172</b>	14,009
Less: Allowances for impairment	<u>(97)</u>	<u>(135)</u>
	<u>9,075</u>	<u>13,874</u>
Deposits and prepayments	<b>6,853</b>	1,853
Deferred issue costs	–	5,004
Other receivables	<u>945</u>	<u>821</u>
	<b>16,873</b>	21,552
Less: Rental deposits classified as non-current portion	<u>(747)</u>	<u>(283)</u>
	<u>16,126</u>	<u>21,269</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 14 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.

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.

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
0 to 30 days	2,440	7,953
31 to 60 days	–	1,978
61 to 90 days	2,194	–
Over 90 days	4,441	3,943
	<u>9,075</u>	<u>13,874</u>

#### **Trade receivables**

In determining the ECL, the management of the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Under HKFRS 9, loss allowances for trade receivables have been measured at an amount equal to lifetime ECL under simplified approach.

#### **Other receivables (including refundable rental deposits)**

For purpose of impairment assessment, other receivables (including refundable rental deposits) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on other receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12m ECL.

### **10. CONTRACT ASSETS AND CONTRACT LIABILITIES**

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets	<u>99,024</u>	<u>79,313</u>
Analysed on a gross basis of:		
Contract assets (net of loss allowances)	99,251	79,579
Contract liabilities	<u>(227)</u>	<u>(266)</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 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.

## 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 advances. The contract liabilities as at 30 September 2020 and 31 March 2020 will be recognised as revenue for the year ending 31 March 2021.

Changes of contract assets were mainly due to (i) changes on progress of contract works when the Group satisfies the performance obligations under the contracts or when the relevant services were completed but not yet been certified by architects, surveyors or other representatives appointed by the customers at the end of the reporting period; and (ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

As at 30 September 2020, the carrying amounts of contract assets, on a gross basis, include retention receivables, net of loss allowances, held by customers for contract works amounting to HK\$21,763,000 (31 March 2020: HK\$18,060,000).

## 11. TRADE AND OTHER PAYABLES

	As at 30 September 2020 HK\$'000	As at 31 March 2020 HK\$'000
<b>Non-current assets</b>		
Trade payables	12,228	9,717
Retention payables	4,262	4,543
Accrued expenses	4,877	2,471
Accrued listing expenses and issue costs	–	4,550
	<u>21,367</u>	<u>21,281</u>

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

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
0 to 30 days	<b>10,657</b>	8,486
31 to 60 days	<b>1,571</b>	648
61 to 90 days	–	583
	<u><b>12,228</b></u>	<u>9,717</u>

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

## 12. BANK BORROWINGS

	<b>As at 30 September 2020 HK\$'000</b>	As at 31 March 2020 HK\$'000
Factoring loans	<b>2,088</b>	–
Other bank borrowings	<b>18,688</b>	34,582
	<u><b>20,776</b></u>	<u>34,582</u>
Variable-rate, secured and guaranteed bank borrowings	<u><b>20,776</b></u>	<u>34,582</u>
Carrying amounts of bank borrowings repayable*:		
Within one year	<u><b>20,776</b></u>	<u>34,582</u>

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

The above variable-rate bank borrowings as at 30 September 2020 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.75% (31 March 2020: Hong Kong Prime Rate minus 1.0% to 1.5%) per annum to Hong Kong Prime Rate minus 1.0% (31 March 2020: HIBOR plus 2.5% to 3.0%) per annum.

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

	<b>30 September 2020</b>	31 March 2020
Effective interest rates per annum:		
Variable-rate bank borrowings	<b>2.5%–4.3%</b>	3.8%–5.1%

As at 30 September 2020, the secured and guaranteed bank borrowings of HK\$2,088,000 were secured by trade receivables of HK\$2,782,000 (31 March 2020: Nil).

As at 30 September 2020, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$20,776,000 (31 March 2020: HK\$17,013,000).

### 13. SHARE CAPITAL

	<b>Par Value HK\$</b>	<b>Number of ordinary shares '000</b>	<b>Share capital HK\$'000</b>
Authorised share capital of the Company:			
At 1 April 2019	0.01	38,000	380
Increase on 5 March 2020 <sup>a</sup>	0.01	9,962,000	99,620
		<u>10,000,000</u>	<u>100,000</u>
At 31 March 2020 and 30 September 2020		<u>10,000,000</u>	<u>100,000</u>
		<b>Number of ordinary shares</b>	<b>Share capital HK\$</b>
Issued and fully paid:			
At 14 November 2018 (date of incorporation)		1	— <sup>#</sup>
Issue of shares <sup>b &amp; c</sup>		199	2
		<u>200</u>	<u>2</u>
At 31 March 2019 and 2020		200	2
Shares in issue under the Capitalisation Issue <sup>d</sup>		1,499,999,800	14,999,998
Shares issued pursuant to the Share Offer <sup>e</sup>		500,000,000	5,000,000
		<u>2,000,000,000</u>	<u>20,000,000</u>
At 30 September 2020		<u>2,000,000,000</u>	<u>20,000,000</u>

# Less than HK\$1

#### Notes:

- a. On 5 March 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of 9,962,000,000 additional shares.
- b. On 22 March 2019, as part of the Reorganisation, the Company acquired all the issued shares of Plateau Star Limited (“**Plateau Star**”) from Platinum Lotus, in consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 99 fully paid shares to Platinum Lotus and credited as fully paid the one nil-paid share held by Platinum Lotus. As a result, Plateau Star became a wholly-owned subsidiary of the Company.
- c. On 27 March 2019, as part of the Reorganisation, the Company, through Plateau Star, acquired all issued shares of ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”) from Summit (Sino) Holdings Limited which is controlled by Mr. Chu, in the consideration to which, the Company, at the direction of Mr. Chu, allotted and issued 100 fully paid shares to Platinum Lotus. As a result, ICGL (Hong Kong) became a wholly-owned subsidiary of the Company.
- d. The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.
- e. On 15 April 2020, the Company allotted and issued 50,000,000 and 450,000,000 new shares of par value of HK\$0.01 each at the Offer Price of HK\$0.25 each, credited as fully paid, pursuant to the Hong Kong Public Offering and International Offering as defined in the prospectus of the Company dated 30 March 2020, respectively.

## **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 30 September 2020, the Group had 28 projects in progress with a total original contract sum of approximately HK\$786.2 million and a total project backlog of approximately HK\$364.2 million. Total revenue of approximately HK\$99.0 million was recognised for the six months ended 30 September 2020.

During the six months ended 30 September 2020, we were awarded seven new projects with a total contract sum of approximately HK\$143.2 million, out of which five projects belong to façade works projects and two projects belong to building metal finishing works projects.

Subsequent to 30 September 2020 and up to the date of this announcement, the Group had been awarded one additional façade works project with a contract sum of approximately HK\$228.3 million.

### **Outlook and prospects**

In the first half of 2020 until recently, the outbreak of the COVID-19 pandemic and its widespread escalation has triggered unprecedented impacts on the global economy. Major economies have suffered from short-term stagnancy, turmoil in the financial market intensified, monetary easing measures worldwide continued, and global economic growth slowed down rapidly. As a result of the persistent impact of the COVID-19 pandemic during the reporting period, the progress of some of the Group's ongoing projects was slowed down, leading to a decrease in the amount of recognised revenue during the reporting period.

Furthermore, after the outbreak of the COVID-19 pandemic, property developers adopted more stringent control on the costs of projects, which have a negative impact on the profit margin of the newly awarded projects.

In order to contain the COVID-19 pandemic, the Group has implemented a series of precautionary and control measures to assure the health and safety of our employees, and smooth business operations without interruption. While the situation is dynamically evolving, the Group will continue to proactively monitor the development of the COVID-19 pandemic and evaluate the impact on our operations and financial position.

Looking forward, the Directors consider that the future opportunities and challenges encountered by the Group will continue to be affected by the development of the property market and expansion of the infrastructure in Hong Kong as well as factors affecting the material costs and labour costs. The Directors are of the view that the number of properties to be built and maintained in Hong Kong remains to be the key driver for the growth of the Hong Kong new construction works industry.

With the Group's experienced management team and reputation in the market, the Directors are of the view that the current priority should be to strengthen its position in the market and well-established business relationships with its customers, as well as to focus on completing the existing projects with effective control on costs so as to secure the profit margin of the projects and, hence, to achieve sustainable business growth to bring long-term benefits to our shareholders.

## FINANCIAL REVIEW

### Revenue

The table below sets forth an analysis of our revenue by the types of services for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September		2019	
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	<b>79,991</b>	<b>80.8</b>	97,088	76.9
Building metal finishing works	<b>18,982</b>	<b>19.2</b>	29,129	23.1
Total	<b>98,973</b>	<b>100.0</b>	126,217	100.0

The Group's revenue decreased by approximately HK\$27.2 million or approximately 21.6% from approximately HK\$126.2 million for the six months ended 30 September 2019 to approximately HK\$99.0 million for the six months ended 30 September 2020. The decrease in revenue recognised was primarily due to the completion of three sizable façade projects for the six months ended 30 September 2019, and the slowdown in the progress of some of the Group's ongoing projects due to the persistent adverse impact of the COVID-19 pandemic.

The table below sets forth an analysis of our revenue by sectors for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September		2019	
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	<b>37,650</b>	<b>38.0</b>	74,015	58.7
Commercial properties	<b>33,928</b>	<b>34.3</b>	20,624	16.3
Public facilities	<b>27,395</b>	<b>27.7</b>	31,578	25.0
Total	<b>98,973</b>	<b>100.0</b>	126,217	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 six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		2019	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Façade works	17,654	22.1	27,790	28.6
Building metal finishing works	5,327	28.1	8,371	28.7
Total	<u>22,981</u>	23.2	<u>36,161</u>	28.7

The Group's gross profit decreased by approximately HK\$13.2 million from approximately HK\$36.2 million for the six months ended 30 September 2019 to approximately HK\$23.0 million for the six months ended 30 September 2020. The gross profit margin decreased from approximately 28.7% for the six months ended 30 September 2019 to approximately 23.2% for the six months ended 30 September 2020, mainly because of larger portion of revenue contributed by projects with relatively lower gross profit margin during the period, as well as additional costs incurred towards the completion stage of one of the Group's sizable projects.

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by sectors for the six months ended 30 September 2020 and 2019:

	Six months ended 30 September 2020		2019	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Residential properties	6,422	17.1	20,192	27.3
Commercial properties	9,055	26.7	6,867	33.3
Public facilities	7,504	27.4	9,102	28.7
Total	<u>22,981</u>	23.2	<u>36,161</u>	28.7

## **Operating and administrative expenses**

The Group's operating and administrative expenses increased from approximately HK\$7.0 million for the six months ended 30 September 2019 to approximately HK\$12.4 million for the six months ended 30 September 2020, representing an increase of HK\$5.4 million or 77.1%. Such increase was mainly attributable to the increase in staff costs of approximately HK\$1.8 million, and legal and compliance costs and professional fees incurred after the listing of the Company's shares on the Main Board together with the relocation costs of the principal place of business in Hong Kong of the Company of approximately HK\$3.1 million.

## **Profit and total comprehensive income for the period**

As a result of the foregoing, the Group's net profit decreased by approximately HK\$10.6 million from approximately HK\$18.1 million for the six months ended 30 September 2019 to approximately HK\$7.5 million for the six months ended 30 September 2020. Excluding the one-off Listing expenses, the profit attributable to the owners of the Company would have been approximately HK\$8.9 million and approximately HK\$24.0 million for the six months ended 30 September 2020 and 2019, respectively, representing a decrease of approximately 62.9% as compared to the six months ended 30 September 2019.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2020, the Group had net current assets of approximately HK\$149.9 million (31 March 2020: approximately HK\$58.3 million). The current ratio of the Group was approximately 4.1 times as at 30 September 2020 (31 March 2020: approximately 2.0 times).

The Group finances its operations primarily through a combination of cash flows generated from operations, bank borrowings and the Share Offer.

As at 30 September 2020, the Group had bank balances and cash of approximately HK\$59.9 million (31 March 2020: approximately HK\$14.0 million).

### **Bank borrowings**

As at 30 September 2020, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$60.0 million, out of which an aggregate amount of approximately HK\$35.7 million was utilised for bank borrowings and performance guarantees. The utilised banking facilities were secured by the corporate guarantee provided by the Company, the Group's bank deposits and trade receivables.

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 13.1% as at 30 September 2020 (31 March 2020: approximately 55.5%).

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. The Shares were listed on the Main Board of the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Group since then.

## **Pledge of assets**

As at 30 September 2020, the Group's trade receivables of approximately HK\$2.8 million were pledged to secure bank borrowings granted to the Group (31 March 2020: Nil).

As at 30 September 2020, bank deposits of approximately HK\$15.0 million have been pledged to secure surety bonds of an aggregate balance of approximately HK\$15.0 million (31 March 2020: HK\$5.1 million) given by a bank.

## **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 six months ended 30 September 2020 (31 March 2020: Nil). 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 six months ended 30 September 2020, the Group incurred capital expenditure of approximately HK\$6.1 million (31 March 2020: approximately HK\$0.2 million).

## **Capital commitments and contingent liabilities**

The Group provides guarantees in respect of the surety bonds in favour of the customers of certain construction projects, which amounted to approximately HK\$15.0 million as at 30 September 2020 (31 March 2020: HK\$5.1 million). Save as disclosed herein, there is no other capital commitment and contingent liabilities that the Group is aware of.

## **Significant investments, acquisition and disposals**

Apart from the reorganisation in relation to the Listing, 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 30 September 2020.

## OTHER INFORMATION

### USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer as referred to the Company's announcement of "Offer Price and Allotment Results" on 14 April 2020 was approximately HK\$78.2 million after deducting underwriting commission and all related expenses. As disclosed in the announcement of the Company dated 30 October 2020 in relation to the change in use of 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. Set out below is the reallocation of the unutilised net proceeds:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Utilised Net Proceeds as at 30 September 2020 <i>HK\$ million</i>	Utilised Net Proceeds up to 30 October 2020 <i>HK\$ million</i>	Reallocation of the Unutilised Net Proceeds <i>HK\$ million</i>	Unutilised Net Proceeds after reallocation ("Reallocated Net Proceeds") <sup>1</sup> <i>HK\$ million</i>
Funding the Upfront Costs to be incurred after the Listing Date for the Awarded UOP Projects	45.2	21.0	25.1	11.4	31.5 <sup>2</sup>
Being used as collateral for the Performance Bonds to be issued for the Awarded UOP Projects	8.8	8.8	8.8	-	-
Strengthening our teams of professional staff in Hong Kong	11.7	1.6	2.0	-	9.7 <sup>2</sup>
Establishing in-house system design team in the PRC	11.4	-	-	(11.4)	-
Purchase of the rights to use BIM solution and enterprise resources software	1.1	0.8	0.8	-	0.3
Total	<u>78.2</u>	<u>32.2</u>	<u>36.7</u>	<u>-</u>	<u>41.5</u>

#### Notes:

1. As at 30 September 2020, the unutilised amount of net proceeds was placed in licensed banks in Hong Kong and the Board expects that it will be utilised in the same manner as disclosed in the Company's announcement dated 30 October 2020.
2. The Company expects to fully utilise the Reallocated Net Proceeds on or before 31 March 2022. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 September 2020, the Group had 55 (30 September 2019: 46) full time employees, including 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 adjusted 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 30 September 2019 and 2020.

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 six months ended 30 September 2020 were approximately HK\$15.5 million (2019: approximately HK\$11.8 million).

## **EVENTS AFTER THE REPORTING PERIOD**

The Board is not aware of any significant event requiring disclosure that has taken place after 30 September 2020 and up to the date of this announcement.

## **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 and are summarized in the Prospectus. 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.

During the reporting period, no share options were granted, cancelled, exercised or lapsed.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATIONS**

During the reporting period, the Group did not have any material acquisitions and disposals of subsidiaries and associations.

## **INTERIM DIVIDEND**

For the six months ended 30 September 2020, the Board of Directors has resolved not to declare any interim dividend (the six months ended 30 September 2019: Nil).

## **CORPORATE GOVERNANCE**

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). As the Shares were not listed on the Main Board of the Stock Exchange until 15 April 2020, the CG Code provisions were not applicable to the Company before the Listing Date. To the best of the knowledge of the Board, the Company has complied with the CG Code since the Listing Date and up to 30 September 2020 except for the following deviation (Code Provision A.2.1):

### **Chairman and Chief Executive Officer**

Mr. Chu Kwok Fun is the Chairman and the Chief Executive Officer of the Company. Pursuant to code provision A.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 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 period from the Listing Date to the date of this announcement.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

The Shares have been listed on the Main Board of the Stock Exchange on the Listing Date. No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries for the six months ended 30 September 2020.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in 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 for the six months ended 30 September 2020, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors: Mr. Ma Tsz Chun, Ms. Leung Yin Fai and Ms. Yuen Wai Yee. Mr. Ma was appointed to serve as the chairman of the Audit Committee.

The Company's unaudited condensed consolidated financial statements for the six months ended 30 September 2020 have been reviewed and approved by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 27 November 2020

*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.*