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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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Revenue	243,453	202,786
Gross profit	70,958	61,784
Profit before taxation	43,398	44,996
Profit for the year	34,158	36,490
Earnings per share, basic (HK cents)	2.28	2.43

The Board of Directors recommends the payment of a final dividend of HK cent 0.5 per share for the year ended 31 March 2020.

The board of directors (the “**Board**”) 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 2020, together with the comparative figures for the year ended 31 March 2019.

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

For the year ended 31 March 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	243,453	202,786
Cost of sales		(172,495)	(141,002)
Gross profit		70,958	61,784
Other income, gains and losses, net	5	88	(248)
Impairment losses reversed, net	6	1,289	716
Operating and administrative expenses		(13,821)	(10,884)
Finance costs	7	(1,451)	(328)
Listing expenses		(13,665)	(6,044)
Profit before taxation	8	43,398	44,996
Income tax expense	9	(9,240)	(8,506)
Profit and total comprehensive income for the year		34,158	36,490
Earnings per share, basic (<i>HK cents</i>)	11	2.28	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property and equipment		3,701	2,894
Deposit and prepayment for a life insurance policy		1,228	831
Rental deposits	12	283	160
Deferred tax assets		153	141
		<u>5,365</u>	<u>4,026</u>
Current assets			
Trade and other receivables	12	21,269	23,324
Contract assets	13	79,313	63,318
Amount due from ultimate holding company		–	19
Pledged bank deposits		5,122	–
Bank balances and cash		13,960	13,457
		<u>119,664</u>	<u>100,118</u>
Current liabilities			
Trade and other payables	14	21,281	21,319
Dividend payable		–	17,219
Contract liabilities	13	–	1,162
Lease liabilities		1,466	913
Taxation payable		4,039	2,136
Bank borrowings	15	34,582	32,479
		<u>61,368</u>	<u>75,228</u>
Net current assets		<u>58,296</u>	24,890
Total assets less current liabilities		<u>63,661</u>	<u>28,916</u>
Non-current liability			
Lease liabilities		<u>1,397</u>	<u>810</u>
Net assets		<u>62,264</u>	<u>28,106</u>
Capital and reserves			
Share capital		–#	–#
Reserves		<u>62,264</u>	<u>28,106</u>
Total equity		<u>62,264</u>	<u>28,106</u>

Less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

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

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited (“**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 consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in note 3 which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Before the completion of a group reorganisation as more fully explained in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 30 March 2020 (the “**Reorganisation**”), the Company, Platinum Lotus and ICGL Technical Works (HK) Limited (“**ICGL (Hong Kong)**”) are wholly-owned directly or indirectly by Mr. Chu. In preparation of the Listing, the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 3 May 2018, Platinum Lotus was incorporated in the BVI with limited liability. Platinum Lotus allotted and issued one share, credited as fully paid at a par value of one United States dollars (“**US\$**”) to Mr. Chu on 17 May 2018.
- (ii) On 3 May 2018, Plateau Star Limited (“**Plateau Star**”) was incorporated in the BVI with limited liability. Plateau Star allotted and issued 100 shares, credited as fully paid at a par value of US\$100 to Platinum Lotus on 17 May 2018.
- (iii) On 14 November 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one nil-paid share was allotted and issued to an independent initial subscriber, which was then transferred to Mr. Chu on the same day.

On 20 March 2019, Mr. Chu transferred the one nil-paid share of the Company to Platinum Lotus at a consideration of US\$1.00.

- (iv) On 22 March 2019, as part of the Reorganisation, the Company acquired all the issued shares of 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.
- (v) On 27 March 2019, as part of the Reorganisation, the Company, through Plateau Star, acquired all issued shares of 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.

The Reorganisation involved incorporation of and interspersing Platinum Lotus, the Company and Plateau Star between ICGL (Hong Kong) and Mr. Chu. Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 27 March 2019. The Group resulting from the Reorganisation is regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 March 2019 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence since 1 April 2018, or since their respective dates of incorporation, whichever is the shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Group has consistently applied all HKFRSs, amendments and related interpretations to HKFRSs issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 April 2019, including adoption of HKFRS 16 “Lease” (“**HKFRS 16**”) for both years.

New and amendments to HKFRSs issued but not effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁵
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the “Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of some of these new and amendments to HKFRSs may have impact on the consolidated financial statements in the foreseeable future.

4. 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.

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised over time		
Design, supply and installation services for		
— façade works	166,582	139,381
— building metal finishing works	76,871	63,405
	<u>243,453</u>	<u>202,786</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 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 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	56,242	44,702
Customer B ²	N/A ⁴	32,036
Customer C ¹	N/A ⁴	52,859
Customer D ³	49,211	N/A ⁴
Customer E ²	67,348	N/A ⁴

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

5. OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss on disposals of property and equipment	–	(230)
Gain arising from early termination of a lease contract	–	19
Loss on disposal of golf club membership	–	(77)
Net exchange losses	–	(31)
Sundry income	88	71
	88	(248)

6. IMPAIRMENT LOSSES REVERSED, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net impairment losses (reversed) recognised on:		
— trade receivables	5	37
— contract assets	(1,294)	(753)
	(1,289)	(716)

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on:		
— bank borrowings	1,320	224
— lease liabilities	131	104
	<u>1,451</u>	<u>328</u>

8. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	—	—
Other emoluments	2,241	2,288
	<u>2,241</u>	<u>2,288</u>
Other staff costs		
Salaries and other benefits	20,836	16,647
Retirement benefit scheme contributions for other staffs	680	530
	<u>23,757</u>	<u>19,465</u>
Auditor's remuneration	1,300	500
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	39	28
Depreciation on property and equipment	1,867	1,803
and after crediting:		
Bank interest income	<u>18</u>	<u>1</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.

9. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The income tax expense comprises:		
Hong Kong Profits Tax		
Current year	9,291	8,462
(Over)underprovision in prior years	(39)	115
	9,252	8,577
Deferred tax credit	(12)	(71)
	9,240	8,506

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%.

10. DIVIDENDS

During the year ended 31 March 2019, ICGL (Hong Kong) declared interim dividends of HK\$26,000,000, to its then sole shareholder and the dividends declared during the year ended 31 March 2019 were partially settled through offsetting the current account with Mr. Chu, a director of the Company (i.e. amount due from a director).

The rate of dividends and number of shares ranking for the above dividends are not presented as inclusion of such information is not considered meaningful for the presentation of the consolidated financial statements.

A final dividend of HK cent 0.5 per share in respect of the year ended 31 March 2020 has been proposed by the board of directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of calculating basic earnings per share	<u>34,158</u>	<u>36,490</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>Note</i>)	<u>1,500,000</u>	<u>1,500,000</u>

Note: The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation as set out in note 2 and the capitalisation issue as described in the section headed "Share Capital" in the prospectus of the Company dated 30 March 2020 in connection with the Listing 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 years.

12. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	14,009	18,161
Less: Allowances for impairment	<u>(135)</u>	<u>(130)</u>
	13,874	18,031
Deposits and prepayments	1,853	2,514
Deferred issue costs	5,004	1,480
Prepaid listing expenses	–	951
Other receivables	<u>821</u>	<u>508</u>
	21,552	23,484
Less: Rental deposits classified as non-current portion	<u>(283)</u>	<u>(160)</u>
	<u>21,269</u>	<u>23,324</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.

As at 1 April 2018, the trade receivables amounted to HK\$4,772,000, net of loss allowances of HK\$93,000.

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	7,953	5,848
31 to 60 days	1,978	11,821
61 to 90 days	–	–
Over 90 days	3,943	362
	<u>13,874</u>	<u>18,031</u>

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets	79,313	63,318
Contract liabilities	–	(1,162)
	<u>79,313</u>	<u>(1,162)</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed on a gross basis of:		
Contract assets (net of loss allowances)	79,579	63,657
Contract liabilities	(266)	(1,501)
	<u>79,579</u>	<u>(1,501)</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.

The retention receivables, net of loss allowances, are to be settled at the end of the reporting period as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
On demand or within one year	9,860	7,600
After one year	8,200	7,400
	18,060	15,000

As at 1 April 2018, the contract assets amounted to HK\$16,296,000 on a gross basis, net of loss allowances of HK\$4,149,000 and amounted to HK\$6,079,000 on a net basis for each respective contract, net of loss allowances of HK\$4,149,000, respectively.

As at 31 March 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\$18,060,000 (2019: HK\$15,000,000).

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 1 April 2018 and 31 March 2019 have been recognised as revenue for the year ended 31 March 2019 and 31 March 2020, respectively. The contract liabilities as at 31 March 2020 will be recognised as revenue for the year ending 31 March 2021.

As at 1 April 2018, the contract liabilities amounted to HK\$18,575,000 on a gross basis and amounted to HK\$8,358,000 on a net basis for each respective contract, respectively.

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	9,717	14,101
Retention payables	4,543	4,007
Accrued expenses	2,471	2,559
Accrued listing expenses and issue costs	4,550	652
	21,281	21,319

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	8,486	13,531
31 to 60 days	648	562
61 to 90 days	583	8
	<u>9,717</u>	<u>14,101</u>

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

15. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Factoring loans	–	8,300
Other bank borrowings	34,582	24,179
	<u>34,582</u>	<u>32,479</u>
Variable-rate, secured and guaranteed bank borrowings	<u>34,582</u>	<u>32,479</u>
Carrying amounts of bank borrowings repayable*:		
Within one year	<u>34,582</u>	<u>32,479</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 2020 bear interests ranging from Hong Kong Prime Rate minus 1.0% to 1.5% (2019: Hong Kong Prime Rate minus 1.0% to 1.5%) per annum to Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.5% to 3.0% (2019: HIBOR plus 2.5% to 2.75%) per annum.

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

	2020	2019
Effective interest rates per annum:		
Variable-rate bank borrowings	<u>3.8%–5.1%</u>	<u>3.9%–4.7%</u>

As at 31 March 2019, the secured and guaranteed bank borrowings of HK\$8,300,000 were secured by trade receivables of HK\$11,150,000.

As at 31 March 2020, included in secured and guaranteed bank borrowings of HK\$6,689,000 (2019: nil) are guaranteed by the HKMC Insurance Limited under the SME Financing Guarantee Scheme. This guarantee has been replaced by the corporate guarantee provided by the Company upon the Listing.

As at 31 March 2020, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$17,013,000 (2019: HK\$10,411,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing Date**”) by way of Share Offer (as defined in the Prospectus) (the “**Listing**”). The net proceeds received by the Company from the Share Offer have strengthened the Group’s cash flow position and enabled the Group to implement its future plans and business strategies as set out in the section headed “Reasons for the Listing and Proposed Use of the Net Proceeds from the Share Offer” in the prospectus of the Company dated 30 March 2020 in relation to the Share Offer (the “**Prospectus**”).

As at 31 March 2020, the Group had 23 projects in progress with a total original contract sum of approximately HK\$670.2 million. Total revenue of approximately HK\$243.5 million was recognised during the year.

During the year, we were awarded 15 new projects with a total contract sum of approximately HK\$263.5 million, out of which 11 projects belong to façade works projects and four projects belong to building metal finishing works projects.

Outlook and prospects

Looking forward, the year 2020 is expected to be a challenging year. The unexpected outbreak of COVID-19 has brought adverse impact on the macroeconomic condition in an international and domestic context. The Directors will closely monitor the situation and evaluate the potential impact on our operations and financial position on a continuing basis.

Concerning the façade industry, the demand for façade works is mainly driven by construction of residential and commercial buildings, but there is a market trend that the use of façade is gradually extended to the buildings of public facilities. Besides, the façade works industry is expected to be supported by various development projects and programmes initiated by the government.

Regarding building metal finishing works industry, it is driven by the increase in supply of residential properties, commercial properties and public facilities. In respect of the residential housing units provided by the government, there is a growing public demand for housing with reference to the Long-term Housing Strategy Annual Progress Report 2019 issued by the government in December 2019, where building metal finishing works are an essential part of any building.

Therefore, we remain cautiously optimistic about our business growth in consideration of our competitive strengths, especially with our good reputation and proven track record in façade works and building metal finishing works, and our established business relationships with a wide range of clientele.

The Group will also further strengthen our clientele base and exercise effective control on costs so as 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 provided for the years ended 31 March 2020 and 2019:

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	166,582	68.4	139,381	68.7
Building metal finishing works	76,871	31.6	63,405	31.3
Total	243,453	100.0	202,786	100.0

The Group's revenue increased by approximately HK\$40.7 million or approximately 20.1% from approximately HK\$202.8 million for the year ended 31 March 2019 to approximately HK\$243.5 million for the year ended 31 March 2020. The increase in revenue recognised was primarily due to the increase in completion percentage of some sizeable projects undergoing the final stage of installation during the year, attributable to the increase in revenue of approximately HK\$27.2 million and approximately HK\$13.5 million from façade works projects and building metal finishing works projects respectively by the types of services.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2020 and 2019:

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	113,182	46.5	59,807	29.5
Commercial properties	41,978	17.2	57,472	28.3
Public facilities	88,293	36.3	85,507	42.2
Total	243,453	100.0	202,786	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 2020 and 2019:

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Façade works	47,044	28.2	42,689	30.6
Building metal finishing works	23,914	31.1	19,095	30.1
Total	<u>70,958</u>	29.1	<u>61,784</u>	30.5

The Group's gross profit increased by approximately HK\$9.2 million from approximately HK\$61.8 million for the year ended 31 March 2019 to approximately HK\$71.0 million for the year ended 31 March 2020. The gross profit margin decreased from 30.5% for the year ended 31 March 2019 to 29.1% for the year ended 31 March 2020, mainly due to the increase in revenue contribution from projects with relatively lower gross profit margin for the year ended 31 March 2020.

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 2020 and 2019:

	Year ended 31 March			
	2020		2019	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Residential properties	31,553	27.9	16,161	27.0
Commercial properties	12,709	30.3	19,087	33.2
Public facilities	26,696	30.2	26,536	31.0
Total	<u>70,958</u>	29.1	<u>61,784</u>	30.5

Other income, gains and losses, net

During the year ended 31 March 2020, we recognised other gains of approximately HK\$88,000 as compared with other losses of approximately HK\$248,000 incurred during the year ended 31 March 2019, which was primarily arising from the loss on disposal of property and equipment.

Impairment losses reversed, net

The amounts represent impairment losses, net of reversal, made on trade receivables and contract assets. The Group's impairment losses reversed, net increased from approximately HK\$0.7 million for the year ended 31 March 2019 to approximately HK\$1.3 million for the year ended 31 March 2020. The reversal for the year ended 31 March 2020 was mainly due to a contract asset of approximately HK\$1.4 million recovered during the year.

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 year ended 31 March 2020, the Group's operating and administrative expenses were approximately HK\$13.8 million, representing an increase of approximately 26.6% from approximately HK\$10.9 million for the year ended 31 March 2019. The increase was mainly attributable to increase in legal and professional fees and staff costs.

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 year ended 31 March 2020, the finance costs were approximately HK\$1.5 million, increased by approximately HK\$1.2 million from approximately HK\$0.3 million for the year ended 31 March 2019. The increase in finance costs for the year ended 31 March 2020 was mainly due to the increase in interests on bank borrowings.

Listing expenses

The Group incurred professional services fees in respect of the Listing of approximately HK\$13.6 million and approximately HK\$6.0 million for the years ended 31 March 2020 and 2019, respectively.

Income tax expense

The Group's income tax expenses increased by approximately HK\$0.7 million from approximately HK\$8.5 million for the year ended 31 March 2019 to approximately HK\$9.2 million for the year ended 31 March 2020. The effective tax rates of the Group for the year ended 31 March 2020 based on the profit before taxation was approximately 21.3% (2019: approximately 18.9%). The higher effective tax rate during the year ended 31 March 2020 compared to the year ended 31 March 2019 were primarily due to the payment of the Listing expenses which were not deductible for Hong Kong profits tax purpose.

Profit and total comprehensive income for the year

As a result of the foregoing, the Group's net profit decreased by approximately HK\$2.3 million from approximately HK\$36.5 million for the year ended 31 March 2019 to approximately HK\$34.2 million for the year ended 31 March 2020, and the Group's net profit margin decreased from approximately 18.0% to approximately 14.0% during the same periods, mainly due to the recognition of the Listing expenses of approximately HK\$13.6 million for the year ended 31 March 2020 as compared to approximately HK\$6.0 million for the year ended 31 March 2019. Excluding the one-off Listing expenses, the profit attributable to the owners of the Company would have been approximately HK\$47.8 million and approximately HK\$42.5 million for the years ended 31 March 2020 and 2019, respectively, representing an increase of approximately 12.5 % as compared to the year ended 31 March 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2020, the Group had net current assets of approximately HK\$58.3 million (2019: approximately HK\$24.9 million). The current ratio of the Group was approximately 2.0 times as at 31 March 2020 (2019: approximately 1.3 times).

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

As at 31 March 2020, the Group had bank balances and cash of approximately HK\$14.0 million (2019: approximately HK\$13.5 million).

Bank borrowings

As at 31 March 2020, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$66.8 million, out of which an aggregate amount of approximately HK\$39.7 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 55.5% as at 31 March 2020 (2019: approximately 115.6%).

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. During the year ended 31 March 2020, there has been no change in the capital structure of the Company.

Save as disclosed in the below section headed "Events after the Reporting Period", there has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement.

Pledge of assets

At 31 March 2019, the Group's trade receivables of approximately HK\$11.2 million were pledged to secure bank borrowings granted to the Group.

As at 31 March 2020, pledged bank deposits of approximately HK\$5.1 million (2019: nil) have been pledged to secure surety bonds of an aggregate balance of approximately HK\$5.1 million (2019: nil) 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 year ended 31 March 2020. 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. For the year ended 31 March 2020, the Group incurred capital expenditure of approximately HK\$0.2 million (2019: approximately HK\$1.2 million).

Capital commitments and contingent liabilities

The Group provides guarantee in respect of the surety bonds in favour of the customers of certain construction projects, which amounted to approximately HK\$5.1 million as at 31 March 2020 (31 March 2019: nil). 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. Saved as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 March 2020.

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.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date, with net proceeds received by the Company from the Share Offer in the amount of approximately HK\$78.2 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer will be used in the manner consistent with that mentioned in the section headed "Reasons for the Listing and Proposed Use of the Net Proceeds from the Share Offer" of the Prospectus.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 46 (2019: 42) 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 adjust 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 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 year ended 31 March 2020 were approximately HK\$23.8 million (2019: approximately HK\$19.5 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, the following significant events took place subsequent to 31 March 2020 and up to the date of this announcement:

- (i) The shares of the Company were listed on the Stock Exchange on 15 April 2020. 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 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, respectively.
- (ii) 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 applies 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.

CORPORATE GOVERNANCE CODE

Compliance with the Corporate Governance Code

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 the date of this announcement except the following deviation (Code Provision A.2.1):

Chairman and Chief Executive Officer

Mr. Chu Kwok Fun (“**Mr. Chu**”) 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.

Compliance with the 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 of 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 since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

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

The Company’s consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 March 2020 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 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu (the “**Auditor**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 March 2020 of HK cent 0.5 per share (the “**Final Dividend**”) to the shareholders whose names appear on the register of members of the Company on 18 September 2020. (2019: nil). The proposed Final Dividend will be subject to shareholders’ approval at the Company’s forthcoming annual general meeting (the “**AGM**”). The proposed Final Dividend will be distributed on or about 30 September 2020.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Friday, 11 September 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Tuesday, 8 September 2020 to Friday, 11 September 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 7 September 2020.

For entitling to the proposed Final Dividend

The register of members of the Company will be closed from Thursday, 17 September 2020 to Friday, 18 September 2020 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed Final Dividend, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 September 2020.

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 2020 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

Chu Kwok Fun

Chairman and Chief Executive Officer

Hong Kong, 29 June 2020

As of 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.