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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 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Revenue	220,788	243,453
Gross profit	50,373	70,958
Profit before taxation	25,954	43,398
Profit for the year	21,736	34,158
Earnings per share, basic (HK cents)	1.10	2.28

The Board of Directors has recommended the payment of a final dividend of HK cent 1.0 per share for the year ended 31 March 2021.

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 2021, together with the comparative figures for the year ended 31 March 2020.

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

For the year ended 31 March 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	220,788	243,453
Cost of sales		(170,415)	(172,495)
Gross profit		50,373	70,958
Other income, gains and losses, net	4	1,720	88
Net impairment losses reversed under expected credit loss model	5	1	1,289
Operating and administrative expenses		(23,877)	(13,821)
Finance costs	6	(952)	(1,451)
Listing expenses		(1,311)	(13,665)
Profit before taxation	7	25,954	43,398
Income tax expense	8	(4,218)	(9,240)
Profit and total comprehensive income for the year		21,736	34,158
Earnings per shares, basic (<i>HK cents</i>)	10	1.10	2.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property and equipment		15,021	3,701
Deposit and prepayment for a life insurance policy		1,805	1,228
Rental deposits	11	728	283
Deferred tax assets		378	153
		<u>17,932</u>	<u>5,365</u>
Current assets			
Trade and other receivables	11	23,604	21,269
Contract assets	12	76,834	79,313
Tax recoverable		476	–
Pledged bank deposits		18,488	5,122
Bank balances and cash		72,910	13,960
		<u>192,312</u>	<u>119,664</u>
Current liabilities			
Trade and other payables	13	20,650	21,281
Contract liabilities	12	638	–
Lease liabilities		2,203	1,466
Taxation payable		–	4,039
Bank borrowings	14	4,889	34,582
		<u>28,380</u>	<u>61,368</u>
Net current assets		<u>163,932</u>	<u>58,296</u>
Total assets less current liabilities		<u>181,864</u>	<u>63,661</u>
Non-current liabilities			
Lease liabilities		7,895	1,397
Other payables	13	750	–
		<u>8,645</u>	<u>1,397</u>
Net assets		<u>173,219</u>	<u>62,264</u>
Capital and reserves			
Share capital		20,000	– [#]
Reserves		153,219	62,264
Total equity		<u>173,219</u>	<u>62,264</u>

[#] Less than HK\$1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

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

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited, a limited liability company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Recognised over time		
Design, supply and installation services for		
— façade works	189,735	166,582
— building metal finishing works	31,053	76,871
	220,788	243,453

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 rental deposits and deferred tax assets) were located in Hong Kong.

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A ¹	N/A ⁴	56,242
Customer B ¹	43,814	N/A ⁴
Customer C ¹	30,275	N/A ⁴
Customer D ³	26,600	49,211
Customer E ²	N/A ⁴	67,348
Customer F ³	23,454	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.

4. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on write-off of property and equipment	(1,498)	–
Gain arising from early termination of lease contracts	142	–
Government grants (<i>Note</i>)	2,577	–
Bank interest income	315	18
Sundry income	184	70
	<u>1,720</u>	<u>88</u>

Note: During the year, the Group received government grants of HK\$2,577,000 (2020: nil) in respect of 2019 Novel Coronavirus related subsidies of which HK\$2,527,000 (2020: nil) relates to Employment Support Scheme provided by the Hong Kong government.

5. NET IMPAIRMENT LOSSES REVERSED UNDER EXPECTED CREDIT LOSS MODEL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net impairment losses (reversed) recognised on:		
— trade receivables	159	5
— contract assets	(160)	(1,294)
	<u>(1)</u>	<u>(1,289)</u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
— bank borrowings	462	1,320
— lease liabilities	490	131
	<u>952</u>	<u>1,451</u>

7. PROFIT BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remunerations		
Fees	519	–
Other emoluments	4,370	2,241
	<u>4,889</u>	2,241
Other staff costs		
Salaries and other benefits	26,629	20,836
Retirement benefit scheme contributions for other staffs	823	680
	<u>32,341</u>	<u>23,757</u>
Auditor's remuneration	1,200	1,300
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	52	39
Depreciation on property and equipment	3,250	1,867
and after crediting:		
Gain on a life insurance policy	<u>184</u>	<u>–</u>

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

8. INCOME TAX EXPENSE

	2021 HK\$'000	2020 <i>HK\$'000</i>
The income tax expense comprises:		
Hong Kong Profits Tax		
Current year	4,440	9,291
Under(over) provision in prior years	<u>3</u>	<u>(39)</u>
	4,443	9,252
Deferred tax credit	<u>(225)</u>	<u>(12)</u>
	<u>4,218</u>	<u>9,240</u>

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

9. DIVIDENDS

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

A final dividend of HK cent 1.0 per share in respect of the year ended 31 March 2021 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.

10. EARNINGS PER SHARE

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

	2021 HK\$'000	2020 <i>HK\$'000</i>
Earnings:		
Profit for the year for the purpose of calculating basic earnings per share	<u>21,736</u>	<u>34,158</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>Note</i>)	<u>1,980,822</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 for the year ended 31 March 2020 had been determined on the assumption that the capitalisation issue has been effective on 1 April 2019.

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

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	18,166	14,009
Less: Allowances for impairment	(294)	(135)
	17,872	13,874
Rental deposits	728	444
Deposits and prepayments	4,825	1,409
Deferred issue costs	–	5,004
Other receivables	907	821
	24,332	21,552
Less: Rental deposits classified as non-current portion	(728)	(283)
Current portion of trade and other receivables	23,604	21,269

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

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

As at 1 April 2019, the trade receivables amounted to HK\$18,031,000, net of loss allowances of HK\$130,000.

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	9,530	7,953
31 to 60 days	7,117	1,978
Over 60 days	1,225	3,943
	17,872	13,874

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
— façade works	66,357	55,434
— building metal finishing works	12,419	25,981
	<u>78,776</u>	<u>81,415</u>
Less: Allowances for impairment		
— façade works	(1,883)	(2,049)
— building metal finishing works	(59)	(53)
	<u>(1,942)</u>	<u>(2,102)</u>
	<u><u>76,834</u></u>	<u><u>79,313</u></u>
Contract assets, net of allowances for impairment		
— façade works	64,474	53,385
— building metal finishing works	12,360	25,928
	<u>76,834</u>	<u>79,313</u>
	<u><u>76,834</u></u>	<u><u>79,313</u></u>
Contract liabilities — façade works	<u><u>(638)</u></u>	<u><u>—</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed on a gross basis of:		
Contract assets		
— façade works	66,445	55,549
— building metal finishing works	<u>12,966</u>	<u>26,132</u>
	79,411	81,681
Less: Allowances for impairment		
— façade works	(1,883)	(2,049)
— building metal finishing works	<u>(59)</u>	<u>(53)</u>
	(1,942)	(2,102)
	<u>77,469</u>	<u>79,579</u>
Contract assets, net of allowances for impairment		
— façade works	64,562	53,500
— building metal finishing works	<u>12,907</u>	<u>26,079</u>
	<u>77,469</u>	<u>79,579</u>
Contract liabilities		
— façade works	(726)	(115)
— building metal finishing works	<u>(547)</u>	<u>(151)</u>
	<u>(1,273)</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.

As at 31 March 2021, 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\$28,619,000 (2020: HK\$18,060,000).

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
On demand or within one year	15,114	9,860
After one year	<u>13,505</u>	<u>8,200</u>
	<u>28,619</u>	<u>18,060</u>

As at 1 April 2019, the contract assets amounted to HK\$63,657,000 on a gross basis, net of loss allowances of HK\$3,396,000 and amounted to HK\$63,318,000 on a net basis for each respective contract, net of loss allowances of HK\$3,396,000, respectively.

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers in advance. The contract liabilities as at 1 April 2019 and 31 March 2020 have been recognised as revenue for the year ended 31 March 2020 and 31 March 2021, respectively. The contract liabilities as at 31 March 2021 will be recognised as revenue for the year ending 31 March 2022.

As at 1 April 2019, the contract liabilities amounted to HK\$1,501,000 on a gross basis and amounted to HK\$1,162,000 on a net basis for each respective contract, respectively.

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK\$'000	HK\$'000
Trade payables	13,987	9,717
Retention payables	3,668	4,543
Other payables	410	–
Provision for reinstatement cost	750	265
Accrued expenses	2,585	2,206
Accrued listing expenses and issue costs	–	4,550
	21,400	21,281
Less: provision classified as non-current portion	(750)	–
Current portion of trade and other payables	20,650	21,281

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

	2021	2020
	HK\$'000	HK\$'000
0 to 30 days	13,746	8,486
31 to 60 days	241	648
61 to 90 days	–	583
	13,987	9,717

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

14. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Variable-rate, secured and guaranteed bank borrowings, repayable within one year*	<u>4,889</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 31 March 2021 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.75% (2020: Hong Kong Prime Rate minus 1.0% to 1.5%) per annum to Lender’s Hong Kong Dollar Standard Bill Rate minus 1.5% (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:

	2021	2020
Effective interest rates per annum: Variable-rate bank borrowings	<u>2.3%–4.4%</u>	<u>3.8%–5.1%</u>

As at 31 March 2020, included in secured and guaranteed bank borrowings of HK\$6,689,000 were 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 during the year ended 31 March 2021.

As at 31 March 2021, the pledged bank deposits of HK\$8,000,000 (2020: nil) have been pledged to secure the banking facilities granted to the Group.

As at 31 March 2021, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$4,889,000 (2020: HK\$17,013,000).

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 2021, the Group had 21 projects in progress with a total original contract sum of approximately HK\$798.5 million. Total revenue of approximately HK\$220.8 million was recognised during the year ended 31 March 2021 (the “**Year**” or “**FY2021**”).

During the Year, we were awarded 12 new projects with a total contract sum of approximately HK\$465.0 million, out of which 9 projects belong to façade works projects and 3 projects belong to building metal finishing works projects.

Outlook and prospects

Looking forward, it is expected that property developers will keep on adopting a more stringent control on the costs of projects, leading to a negative impact on the profit margin of the new projects being awarded in the coming year in view of the uncertainties caused by the COVID-19 pandemic.

The Group will closely monitor the situation and evaluate the potential impact on our operations and financial position on a continuing basis. We 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 2021 and 2020:

	Year ended 31 March			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	189,735	85.9	166,582	68.4
Building metal finishing works	31,053	14.1	76,871	31.6
Total	220,788	100.0	243,453	100.0

The Group's revenue decreased by approximately HK\$22.7 million or 9.3% from approximately HK\$243.5 million for the year ended 31 March 2020 (the "Previous Year" or "FY2020") to approximately HK\$220.8 million for the Year. The decrease in revenue recognised was primarily due to the completion of some sizable projects and the slowdown in the progress of some projects resulted from the persistent adverse impact of the COVID-19 pandemic and delay of construction progress. The increase in revenue from façade works projects by approximately HK\$23.2 million was mainly attributable to the increase in overall amounts of façade works projects undergoing the final stage of installation during the Year.

The table below sets forth an analysis of our revenue by sectors for the years ended 31 March 2021 and 2020:

	Year ended 31 March			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	94,331	42.7	113,182	46.5
Commercial properties	61,466	27.8	41,978	17.2
Public facilities	64,991	29.5	88,293	36.3
Total	220,788	100.0	243,453	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 2021 and 2020:

	Year ended 31 March			
	2021		2020	
	<i>Gross profit</i>		<i>Gross profit</i>	
	<i>margin</i>		<i>margin</i>	
	<i>(%)</i>		<i>(%)</i>	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Façade works	39,375	20.8	47,044	28.2
Building metal finishing works	10,998	35.4	23,914	31.1
Total	50,373	22.8	70,958	29.1

The Group's gross profit decreased by approximately HK\$20.6 million from approximately HK\$71.0 million for the FY2020 to approximately HK\$50.4 million for the FY2021. The gross profit margin decreased from approximately 29.1% for the FY2020 to approximately 22.8% for the FY2021. The decrease in gross profit margin was mainly due the decelerated progress of the Group's ongoing projects resulted from the persistent adverse impact of the COVID-19 pandemic and delay of construction progress, leading to the increase in project overhead costs and subcontracting costs.

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 2021 and 2020:

	Year ended 31 March			
	2021		2020	
	<i>Gross profit</i>		<i>Gross profit</i>	
	<i>margin</i>		<i>margin</i>	
	<i>(%)</i>		<i>(%)</i>	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
Residential properties	18,568	19.7	31,553	27.9
Commercial properties	11,535	18.8	12,709	30.3
Public facilities	20,270	31.2	26,696	30.2
Total	50,373	22.8	70,958	29.1

Other income, gains and losses, net

During the FY2021, we recognised other income and gains, net of other losses, of approximately HK\$1.7 million as compared with other income of approximately HK\$88,000 recognised during the FY2020, which was primarily arising from a one-off lump sum government subsidy of approximately HK\$2.5 million under the Employment Support Scheme, partially net off by the loss on write-off of property and equipment.

Net impairment losses reversed under expected credit loss model

The amounts represent impairment losses, net of reversal, made on trade receivables and contract assets. The Group recognised impairment losses for expected credit loss on trade receivables and contract assets of approximately HK\$159,000 and HK\$320,000 respectively, net of the reversal of impairment loss on a contract asset recognised in prior years of approximately HK\$480,000, resulting in net impairment losses reversed of approximately HK\$1,000 for the FY2021. The net impairment losses reversed of approximately HK\$1.3 million in the FY2020 was mainly due to the reversal of impairment loss on a contract asset of approximately HK\$1.4 million.

Operating and administrative expenses

Operating and administrative expenses include staff costs, depreciation and amortisation, marketing and promotion expenses, travelling, office and utility expenses, legal and professional fees and other expenses. For the FY2021, the Group's operating and administrative expenses were approximately HK\$23.9 million, representing an increase of approximately HK\$10.1 million or 72.8% from approximately HK\$13.8 million for the FY2020. The increase was mainly attributable to increases in staff costs recognised as operating and administrative expenses of approximately HK\$4.3 million, the increase in legal and compliance costs and professional fees of approximately HK\$2.8 million incurred after the listing of the Company's shares on the Main Board and the increase in depreciation on property and equipment of approximately HK\$1.4 million for the relocation of the principal place of business of the Company in Hong Kong.

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 FY2021, the finance costs were approximately HK\$1.0 million, decreased by approximately HK\$0.5 million from approximately HK\$1.5 million for the FY2020. The decrease in finance costs was mainly due to the decrease in interests on bank borrowings by approximately HK\$0.9 million, partially net off by the increase in interests on lease liabilities.

Listing expenses

The Group incurred professional services fees in respect of the Listing of approximately HK\$1.3 million and approximately HK\$13.7 million for the FY2021 and FY2020, respectively.

Income tax expense

The Group's income tax expenses decreased by approximately HK\$5.0 million from approximately HK\$9.2 million for the FY2020 to approximately HK\$4.2 million for the FY2021. The effective tax rate of the Group for the FY2021 based on the profit before taxation, after excluded the one-off Listing expenses for the FY2021 of approximately HK\$1.3 million (FY2020: approximately HK\$13.7 million), was approximately 15.5% (FY2020: approximately 16.2%).

Profit and total comprehensive income for the Year

Excluding the one-off Listing expenses for the FY2021 of approximately HK\$1.3 million (FY2020: approximately HK\$13.7 million), the profit for the Year decreased by approximately HK\$24.8 million or 51.8% from approximately HK\$47.8 million for the Previous Year to approximately HK\$23.0 million for the Year, mainly resulted from the decrease of gross profit and increase of operating and administrative expenses as explained above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2021, the Group had net current assets of approximately HK\$163.9 million (31 March 2020: approximately HK\$58.3 million). The current ratio of the Group calculated based on the Group's total current assets divided by total current liabilities as at the end of the reporting period was approximately 6.8 times as at 31 March 2021 (31 March 2020: approximately 1.9 times).

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

As at 31 March 2021, the Group had bank balances and cash of approximately HK\$72.9 million (31 March 2020: approximately HK\$14.0 million).

Bank borrowings

As at 31 March 2021, 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\$15.4 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 2.8% as at 31 March 2021 (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. The drop of gearing ratio was primarily due to the increase in total equity after the Listing.

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 Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since the Listing and up to the date of this announcement.

Pledge of assets

As at 31 March 2021, the pledged bank deposits of approximately HK\$18.5 million (31 March 2020: approximately HK\$5.1 million) have been pledged to secure the Group's banking facilities and surety bonds of an aggregate balance of approximately HK\$10.5 million (31 March 2020: to secure surety bonds of an aggregate balance of approximately HK\$5.1 million) given by banks.

As at 31 March 2021, the lease liabilities of approximately HK\$9.0 million (31 March 2020: approximately HK\$2.5 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2020: approximately HK\$0.4 million).

Foreign exchange exposures

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

Capital expenditure

Our principal capital expenditures relate primarily to investments in property and equipment excluding right-of-use assets. During the Year, the Group incurred capital expenditure of approximately HK\$6.2 million (FY2020: 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\$10.5 million as at 31 March 2021 (31 March 2020: approximately HK\$5.1 million). The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the surety bonds. 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. Save as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 March 2021.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments or capital assets as at 31 March 2021.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date, with net proceeds received by the Company from the Share Offer in the amount of approximately HK\$78.2 million (“**Net Proceeds**”) after deducting underwriting commissions and all related expenses. As disclosed in the announcement of the Company dated 30 October 2020 in relation to the change in use of Net Proceeds, to allow the Group to meet its financial needs more efficiently and flexibly, the Board resolved to change the use of the unutilised Net Proceeds. Set out below is the reallocation of the use of Net Proceeds and the unutilised amount of Net Proceeds as at 31 March 2021:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Reallocation of the use of Net Proceeds <i>HK\$ million</i>	Utilised Net Proceeds as at 31 March 2021 <i>HK\$ million</i>	Unutilised Net Proceeds after reallocation <i>HK\$ million</i>
Funding the Upfront Costs to be incurred after the Listing Date for the Awarded UOP Projects	45.2	11.4	(44.8)	11.8
Being used as collateral for the Performance Bonds to be issued for the Awarded UOP Projects	8.8	–	(8.8)	–
Strengthening our teams of professional staff in Hong Kong	11.7	–	(4.9)	6.8
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	–	(0.9)	0.2
Total	78.2	–	(59.4)	18.8

As at 31 March 2021, the unutilised amount of Net Proceeds was placed in licensed banks in Hong Kong. The Company expects to fully utilise the unutilised 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 31 March 2021, the Group had 64 (31 March 2020: 46) full time employees (including two executive Directors but excluding three independent non-executive Directors). The increase in the number of employees was mainly attributable to the increase in the number of project staff. The Group has implemented a tight cost control and adjusts the number of project staff based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as at 31 March 2020 and 2021.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, experiences and position held. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides and organises various types of training to its employees to elevate overall efficiency, employee loyalty and morale. Total staff costs for the FY2021 were approximately HK\$32.3 million (FY2020: approximately HK\$23.8 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 Board is not aware of any significant events, which have material effect on the Group, occurred after 31 March 2021 and up to the date of this announcement.

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 the Listing Date, the CG Code provisions were applicable to the Company since 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 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 31 March 2021.

AUDIT COMMITTEE

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

The Company's consolidated financial statements for the year ended 31 March 2021 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 2021 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 2021 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 the payment of a final dividend of HK\$20.0 million (equivalent to HK cent 1.0 per share) (2020: 10.0 million (equivalent to HK cent 0.5 per share)) (the "**Final Dividend**") for the year ended 31 March 2021 to the shareholders whose names appear on the register of members of the Company on Tuesday, 24 August 2021. The proposed Final Dividend will be subject to shareholders' approval at the Company's forthcoming annual general meeting (the "**AGM**"). The proposed Final Dividend, if approved, will be distributed on or about 31 August 2021.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on Tuesday, 17 August 2021. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Thursday, 12 August 2021 to Tuesday, 17 August 2021 (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 Wednesday, 11 August 2021.

For entitling to the proposed Final Dividend

The register of members of the Company will be closed from Monday, 23 August 2021 to Tuesday, 24 August 2021 (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 Friday, 20 August 2021.

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 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

APPRECIATION

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

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

Hong Kong, 23 June 2021

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.