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LOTUS HORIZON HOLDINGS LIMITED

智中國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6063)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Lotus Horizon Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 September 2021 together with comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	116,187	98,973
Gross profit	7,809	22,981
(Loss) profit before taxation	(3,555)	9,029
(Loss) profit for the period	(3,172)	7,544
(Loss) earnings per share, basic (HK cents)	(0.16)	0.38

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 September 2021.

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

For the six months ended 30 September 2021

		Six months ended	
		30 September	
	<i>Notes</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	116,187	98,973
Cost of sales		(108,378)	(75,992)
Gross profit		7,809	22,981
Other income, gains and losses, net	4	416	652
Impairment losses reversed (recognised), net		17	(424)
Operating and administrative expenses		(11,453)	(12,371)
Finance costs		(344)	(498)
Listing expenses		–	(1,311)
(Loss) profit before taxation	5	(3,555)	9,029
Income tax credit (expense)	6	383	(1,485)
(Loss) profit and total comprehensive (expense) income for the period		(3,172)	7,544
(Loss) earnings per share, basic (<i>HK cents</i>)	8	(0.16)	0.38

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

As at 30 September 2021

	<i>Notes</i>	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current assets			
Property and equipment	9	13,428	15,021
Deposit and prepayment for a life insurance policy		2,059	1,805
Rental deposits		728	728
Deferred tax assets		718	378
		<u>16,933</u>	<u>17,932</u>
Current assets			
Trade and other receivables	10	34,322	23,604
Contract assets	11	89,853	76,834
Tax recoverable		519	476
Pledged bank deposits		13,488	18,488
Bank balances and cash		51,664	72,910
		<u>189,846</u>	<u>192,312</u>
Current liabilities			
Trade and other payables	12	26,431	20,650
Contract liabilities	11	1,345	638
Lease liabilities		2,333	2,203
Bank borrowings	13	19,020	4,889
		<u>49,129</u>	<u>28,380</u>
Net current assets		<u>140,717</u>	<u>163,932</u>
Total assets less current liabilities		<u>157,650</u>	<u>181,864</u>
Non-current liabilities			
Lease liabilities		6,853	7,895
Other payables	12	750	750
		<u>7,603</u>	<u>8,645</u>
Net assets		<u>150,047</u>	<u>173,219</u>
Capital and reserves			
Share capital	14	20,000	20,000
Reserves		130,047	153,219
Total equity		<u>130,047</u>	<u>173,219</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing Date**”) (the “**Listing**”). The addresses of the Company’s registered office and the principal place of business of the Company is located at 21/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

Its immediate and ultimate holding company is Platinum Lotus Holdings Limited (“**Platinum Lotus**”), a limited liability company incorporated in the British Virgin Islands (“**BVI**”). The ultimate controlling shareholder of the Company is Mr. Chu Kwok Fun (“**Mr. Chu**”).

The Company acts as an investment holding company and the principal activities of the Group are the provision of design, supply and installation services for façade works and building metal finishing works.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000), except when otherwise stated.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have not been audited or reviewed by Company’s external auditors, but have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021

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

3. REVENUE

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised over time		
Design, supply and installation services for		
— façade works	96,884	79,991
— building metal finishing works	19,303	18,982
	<u>116,187</u>	<u>98,973</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 an executive director of the Company, for the purpose of resources allocation and performance assessment. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance.

The CODM reviews the profit for the period of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

The customers of the Group are mainly property developers and main contractors in Hong Kong. All of the Group's provision of design, supply and installation services for façade works and building metal finishing works are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

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.

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss on disposal of property and equipment	–	(1,498)
Gain arising from early termination of a lease contract	–	142
Government grants (<i>note</i>)	–	1,734
Bank interest income	90	192
Sundry income	326	82
	<u>416</u>	<u>652</u>

Note: During the six months ended 30 September 2020, the Group received government grants of approximately HK\$1,734,000 in respect of 2019 Novel Coronavirus related subsidies of which approximately HK\$1,684,000 related to Employment Support Scheme provided by the Hong Kong government.

5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	270	249
Other emoluments	2,232	1,947
	<u>2,502</u>	2,196
Other staff costs		
Salaries and other benefits	14,522	12,919
Retirement benefit scheme contributions for other staffs	461	379
	<u>17,485</u>	<u>15,494</u>
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	22	22
Depreciation on property and equipment	1,846	1,718
and after crediting:		
Gain on a life insurance policy	<u>57</u>	<u>82</u>

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

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax (credit) expense comprises:		
Hong Kong Profits Tax		
Current period	–	1,552
(Over) under-provision in prior year	<u>(43)</u>	<u>3</u>
	(43)	1,555
Deferred tax credit	<u>(340)</u>	<u>(70)</u>
	<u><u>(383)</u></u>	<u><u>1,485</u></u>

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

7. DIVIDENDS

For the six months ended 30 September 2021, the Board of Directors has resolved not to declare any interim dividend (six months ended 30 September 2020: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) profit for the period for the purpose of calculating basic (loss) earnings per share	<u>(3,172)</u>	<u>7,544</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u><u>2,000,000</u></u>	<u><u>1,961,749</u></u>

The weighted average number of ordinary shares of the Company for the purpose of calculating basic earnings per share for the six months ended 30 September 2020 had been determined on the assumption that the capitalisation issue as described in Note 14 to the unaudited condensed consolidated financial statements has been effective on 1 April 2020.

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

9. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2021, the Group made additions to right-of-use assets of approximately HK\$222,000 (six months ended 30 September 2020: approximately HK\$11.4 million) and acquired items of office equipment and furniture with a cost of approximately HK\$31,000 (six months ended 30 September 2020: items of leasehold improvements, office equipment and furniture with a cost of approximately HK\$6.1 million).

The Group did not dispose any of its property and equipment during the six months ended 30 September 2021 (six months ended 30 September 2020: disposals of right-of-use assets at the aggregate carrying value of approximately HK\$2.4 million and items of office equipment and furniture at the aggregate carrying value of approximately HK\$1.4 million).

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade receivables	26,729	18,166
Less: Allowances for impairment	(230)	(294)
	26,499	17,872
Rental deposits	728	728
Deposits and prepayments	6,883	4,825
Other receivables	940	907
	35,050	24,332
Less: Rental deposits classified as non-current portion	(728)	(728)
Current portion of trade and other receivables	34,322	23,604

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

The Group usually allows a credit period ranging from 14 to 74 days to its customers. Before accepting any new customers, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

The following is an ageing analysis of trade receivables, net of loss allowances, presented based on the approval dates of work certified by architects, surveyors or other representatives appointed by the customers, at the end of the reporting period, which are also the dates when the Group's right to consideration became unconditional:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
0 to 30 days	17,912	9,530
31 to 60 days	4,501	7,117
61 to 90 days	1,380	1,225
Over 90 days	2,706	–
	<u>26,499</u>	<u>17,872</u>

Trade receivables

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

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

Other receivables (including refundable rental deposits)

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

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
— façade works	76,736	66,357
— building metal finishing works	<u>15,106</u>	<u>12,419</u>
	91,842	78,776
Less: Allowances for impairment		
— façade works	(1,917)	(1,883)
— building metal finishing works	<u>(72)</u>	<u>(59)</u>
	<u>(1,989)</u>	<u>(1,942)</u>
	<u>89,853</u>	<u>76,834</u>
Contract assets, net of allowances for impairment		
— façade works	74,819	64,474
— building metal finishing works	<u>15,034</u>	<u>12,360</u>
	<u>89,853</u>	<u>76,834</u>
Contract liabilities		
— façade works	(838)	(638)
— building metal finishing works	<u>(507)</u>	<u>—</u>
	<u>(1,345)</u>	<u>(638)</u>

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Analysed on a gross basis of:		
Contract assets		
— façade works	79,165	66,445
— building metal finishing works	15,516	12,966
	94,681	79,411
Less: Allowances for impairment		
— façade works	(1,917)	(1,883)
— building metal finishing works	(72)	(59)
	(1,989)	(1,942)
	92,692	77,469
Contract assets, net of allowances for impairment		
— façade works	77,248	64,562
— building metal finishing works	15,444	12,907
	92,692	77,469
Contract liabilities		
— façade works	(3,267)	(726)
— building metal finishing works	(917)	(547)
	(4,184)	(1,273)

Contract assets

Contract assets arise when the Group has right to consideration for completion of design, supply and installation of façade works and building metal finishing works and not yet billed under the relevant contracts, and its right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time.

In addition, contract assets arise when customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts.

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

Contract liabilities

Contract liabilities primarily relate to the Group's obligation to transfer project works services to customers for which the Group has received consideration from the customers in advances. The contract liabilities as at 30 September 2021 and 31 March 2021 will be recognised as revenue for the year ending 31 March 2022.

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

As at 30 September 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\$32,580,000 (31 March 2021: HK\$28,619,000).

12. TRADE AND OTHER PAYABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	19,636	13,987
Retention payables	3,836	3,668
Other payables	–	410
Provision for reinstatement cost	750	750
Accrued expenses	2,959	2,585
	<u>27,181</u>	<u>21,400</u>
Less: provision classified as non-current portion	<u>(750)</u>	<u>(750)</u>
Current portion of trade and other payables	<u>26,431</u>	<u>20,650</u>

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

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	19,067	13,746
31 to 60 days	569	241
	<u>19,636</u>	<u>13,987</u>

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

Retention payables to subcontractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts for a period ranging from 1 to 2 years after completion of the relevant works.

13. BANK BORROWINGS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Variable-rate, secured and guaranteed bank borrowings, repayable within one year*	19,020	4,889

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

The above variable-rate bank borrowings as at 30 September 2021 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.8% to 2.75% (31 March 2021: HIBOR plus 2.0% to 2.75%) per annum to Lender’s Hong Kong Dollar Standard Bill Rate minus 1.5% (31 March 2021: Lender’s Hong Kong Dollar Standard Bill Rate minus 1.5%) per annum.

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

	30 September 2021 (Unaudited)	31 March 2021 (Audited)
Effective interest rates per annum:		
Variable-rate bank borrowings	1.9%–4.4%	2.3%–4.4%

As at 30 September 2021, the pledged bank deposit of HK\$3,000,000 (31 March 2021: deposits of HK\$8,000,000) has been pledged to secure the Group’s banking facilities given by banks.

As at 30 September 2021, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$19,020,000 (31 March 2021: HK\$4,889,000).

14. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	10,000,000	100,000

	Number of ordinary shares	Share capital HK\$
Issued and fully paid:		
At 1 April 2020	200	2
Shares issued pursuant to the capitalisation issue ^a	1,499,999,800	14,999,998
Shares issued pursuant to the public offer ^b	500,000,000	5,000,000
	<u>2,000,000,000</u>	<u>20,000,000</u>
At 30 September 2020, 1 April 2021 and 30 September 2021	<u>2,000,000,000</u>	<u>20,000,000</u>

Notes:

- a. The share premium account of the Company was credited as a result of the Listing, the Company capitalised an amount of HK\$14,999,998 standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 1,499,999,800 shares for allotment and issue to the shareholders of the Company on 15 April 2020.
- b. On 15 April 2020, the Company allotted and issued 500,000,000 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 of the Company dated 30 March 2020.

15. PERFORMANCE GUARANTEES

As at 30 September 2021, surety bonds of an aggregate balance of HK\$10,488,000 (31 March 2021: HK\$10,488,000) were given by a bank in favour of the Group's customers as security for the performance and observance of the Group's obligations under the construction contracts entered into between the Group and the customers. If the Group fails to provide satisfactory performance to the customers to whom the performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under letters of guarantees of the Group and were secured by pledged bank deposits of HK\$10,488,000 (31 March 2021: HK\$10,488,000).

As at 30 September 2021, the Company provided a guarantee (the "**Parent Company Guarantee**") for the performance of all obligations and liabilities of a wholly owned subsidiary of the Company (the "**Sub-Contract Subsidiary**") under a construction contract (the "**Sub-Contract**") entered into between the Sub-Contract Subsidiary and the contractor (the "**Main Contractor**") of the Sub-Contract. The maximum liability of the Company under the Parent Company Guarantee shall be amounted to HK\$22,830,000, which is approximately 10.0% of the contract sum of the Sub-Contract. The Parent Company Guarantee will be released upon the date of completion stated in the certificate of completion in accordance with the main contract signed between the Main Contractor and the employer of the Main Contractor.

The management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

16. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the unaudited condensed consolidated financial statements, the Group had also entered into the following related party transactions during the reporting period:

- (a) Mr. Chu provided unlimited personal guarantees to banks in respect of the banking facilities granted to the Group as at 31 March 2020. Ms. Dai Wing Yi Marjor (the spouse of Mr. Chu) provided personal guarantees of HK\$10,000,000 to banks in respect of the banking facilities granted to the Group as at 31 March 2020.

Mr. Chu and Ms. Dai Wing Yi Marjor also pledged the properties owned by them to secure the banking facilities granted to the Group as at 31 March 2020.

Mr. Chu also pledged fixed deposits of HK\$8,000,000 owned by him as at 31 March 2020, to secure the banking facilities granted to the Group.

The personal guarantees and pledge of assets have been replaced by the pledge of bank deposits of the Group and the corporate guarantee provided by the Company upon the Listing.

(b) Compensation of key management personnel

The remuneration of key management personnel, including executive directors of the Company and other key executives of the Group, during the period is as follows:

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,632	4,287
Retirement benefit scheme contributions	60	57
	4,692	4,344

The remuneration of key management personnel is determined by the management of the Group having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As at 30 September 2021, the Group had 19 projects in progress with a total original contract sum of approximately HK\$779.7 million and a total project backlog of approximately HK\$451.9 million. Total revenue of approximately HK\$116.2 million was recognised for the six months ended 30 September 2021.

The prolonged impact of COVID-19 continued challenging the business of the Group during the six months ended 30 September 2021. More stringent control on project costs has been implemented by property developers and owners since the outbreak of COVID-19. Competition in the markets of façade works and building metal finishing works has become fierce. In order to maintain the quality of our projects with reasonable gross profit margins, the Group kept taking a more prudent approach on bidding new projects during the reporting period.

Outlook and prospects

Global economy is recovering amid uncertainties. Some current economic issues, such as increasing commodity prices, inflation and supply chain bottlenecks, may potentially threaten the economy. These issues have also led to higher building material costs and overhead costs in our industry. If these issues sustain, the Group's gross profit margin would be subject to pressure.

The Group has already implemented certain control measures to reduce the impact of these issues. We will closely monitor the trends of these issues and maintain sufficient financial resources to tackle rapid changes of the market.

FINANCIAL REVIEW

Revenue

The table below sets forth an analysis of our revenue by the types of services for the six months ended 30 September 2021 and 2020:

	Six months ended 30 September			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	96,884	83.4	79,991	80.8
Building metal finishing works	19,303	16.6	18,982	19.2
Total	116,187	100.0	98,973	100.0

The Group's revenue increased by approximately HK\$17.2 million or approximately 17.4% from approximately HK\$99.0 million for the six months ended 30 September 2020 to approximately HK\$116.2 million for the six months ended 30 September 2021. The increase in revenue recognised was primarily attributed to three façade projects with relatively high contract sums which kick start during the reporting period, though the progress of some ongoing projects was delayed.

The table below sets forth an analysis of our revenue by sectors for the six months ended 30 September 2021 and 2020:

	Six months ended 30 September			
	2021		2020	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	57,166	49.2	37,650	38.0
Commercial properties	8,376	7.2	33,928	34.3
Public facilities	50,645	43.6	27,395	27.7
Total	116,187	100.0	98,973	100.0

Gross profit and gross profit margin

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by types of services for the six months ended 30 September 2021 and 2020:

	Six months ended 30 September 2021		2020	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Façade works	5,116	5.3	17,654	22.1
Building metal finishing works	2,693	13.9	5,327	28.1
Total	<u>7,809</u>	6.7	<u>22,981</u>	23.2

The Group's gross profit decreased by approximately HK\$15.2 million from approximately HK\$23.0 million for the six months ended 30 September 2020 to approximately HK\$7.8 million for the six months ended 30 September 2021. The gross profit margin decreased from approximately 23.2% for the six months ended 30 September 2020 to approximately 6.7% for the six months ended 30 September 2021, resulted from the combined effect of (i) decline in gross profit margin of projects awarded during the year ended 31 March 2021 and the six months ended 30 September 2021 due to fierce competition, (ii) substantial increment in market prices of building materials and (iii) additional project overhead costs and subcontracting costs incurred for several on-going projects due to the delay in construction progress and persistent adverse impact of the COVID-19 pandemic.

The table below sets forth an analysis of the amount of gross profit and the gross profit margin by sectors for the six months ended 30 September 2021 and 2020:

	Six months ended 30 September 2021		2020	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Residential properties	1,312	2.3	6,422	17.1
Commercial properties	291	3.5	9,055	26.7
Public facilities	6,206	12.3	7,504	27.4
Total	<u>7,809</u>	6.7	<u>22,981</u>	23.2

Operating and administrative expenses

The Group's operating and administrative expenses decreased from approximately HK\$12.4 million for the six months ended 30 September 2020 to approximately HK\$11.5 million for the six months ended 30 September 2021, representing a decrease of approximately HK\$0.9 million or 7.4%. The relatively higher operating and administrative expenses incurred for the six months ended 30 September 2020 was mainly due to the relocation costs for change the principal place of business in Hong Kong of the Company during the corresponding period.

(Loss) profit and total comprehensive (expense) income for the period

As a result of the foregoing, the Group's net loss for the six months ended 30 September 2021 was amounted to approximately HK\$3.2 million, compared to the Group's net profit of approximately HK\$7.5 million for the six months ended 30 September 2020. Excluding the one-off listing expenses, the profit attributable to the owners of the Company for the six months ended 30 September 2020 would have been approximately HK\$8.9 million, while there was no any one-off listing expense incurred for the six months ended 30 September 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2021, the Group had net current assets of approximately HK\$140.7 million (31 March 2021: approximately HK\$163.9 million). The current ratio of the Group calculated based on the Group's total current assets divided by total current liabilities as at the end of the reporting period was approximately 3.9 times as at 30 September 2021 (31 March 2021: approximately 6.8 times).

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

As at 30 September 2021, the Group had bank balances and cash of approximately HK\$51.7 million (31 March 2021: approximately HK\$72.9 million). The decrease of current ratio and bank balances were primarily resulted from the payment of final dividend of HK\$20.0 million for the year ended 31 March 2021 during the reporting period.

Bank borrowings

As at 30 September 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\$29.5 million was utilised for bank borrowings and performance guarantees. The utilised banking facilities were secured by corporate guarantees provided by the Company and the Group's bank deposits.

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 12.7% as at 30 September 2021 (31 March 2021: approximately 2.8%).

The Group has adopted a prudent approach in financial resources management. In the management of the liquidity, the Group continues to monitor and maintain adequate cash and cash equivalents as well as banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. There was no change in the capital structure of the Group since the beginning of the reporting period and up to the date of this announcement.

Pledge of assets

As at 30 September 2021, bank deposits of approximately HK\$13.5 million (31 March 2021: approximately HK\$18.5 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 2021: approximately HK\$10.5 million) given by banks.

As at 30 September 2021, the lease liabilities of approximately HK\$8.2 million (31 March 2021: approximately HK\$9.0 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2021: approximately HK\$0.7 million).

Foreign exchange exposures

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

Capital expenditure

Our principal capital expenditures relate primarily to investments in property and equipment excluding right-of-use assets. During the six months ended 30 September 2021, the Group incurred capital expenditure of approximately HK\$31,000 (six months ended 30 September 2020: approximately HK\$6.1 million).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 30 September 2021 is set out in Note 15 to the unaudited condensed consolidated financial statements. Save as disclosed in Note 15 to the unaudited condensed consolidated financial statements, there is no other capital commitment and contingent liabilities that the Group is aware of.

Significant investments, acquisition and disposals

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the reporting period.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 30 March 2020 (the “**Prospectus**”) and in this announcement, the Group did not have other plans for material investments or capital assets as at 30 September 2021.

OTHER INFORMATION

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 status of the use of Net Proceeds as at 30 September 2021:

Use of Net Proceeds	Planned use of Net Proceeds as disclosed in the Prospectus HK\$ million	Reallocation of the use of Net Proceeds of Net Proceeds HK\$ million	Use of Net Proceeds subsequent to the reallocation HK\$ million	Net Proceeds unutilised as at 31 March 2021 HK\$ million	Net Proceeds utilised during the reporting period HK\$ million	Unutilised Net Proceeds as at 30 September 2021 HK\$ million	Expected timeline for utilising the remaining Net Proceeds
Funding the Upfront Costs to be incurred after the Listing Date for the Awarded UOP Projects	45.2	11.4	56.6	11.8	(11.8)	–	N/A
Being used as collateral for the Performance Bonds to be issued for the Awarded UOP Projects	8.8	–	8.8	–	–	–	N/A
Strengthening our teams of professional staff in Hong Kong	11.7	–	11.7	6.8	(4.2)	2.6	On or before 31 March 2022
Establishing in-house system design team in the PRC	11.4	(11.4)	–	–	–	–	N/A
Purchase of the rights to use BIM solution and enterprise resources Software	1.1	–	1.1	0.2	(0.1)	0.1	On or before 31 March 2022
Total	78.2	–	78.2	18.8	(16.1)	2.7	

Notes:

- As at 30 September 2021, the unutilised amount of net proceeds was placed in licensed banks in Hong Kong and the Board expects that it will be utilised in the same manner as disclosed in the Company’s announcement dated 30 October 2020.
- The Company expects to fully utilise the Net Proceeds on or before 31 March 2022. The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the future market conditions made by the Group. It is subject to change based on the current and future development of the market conditions.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2021, the Group had 63 (30 September 2020: 55) full time employees, including Directors. The increase in the number of employees was mainly attributable to the increase in the number of project staff. The Group has implemented a tight cost control and adjusted the number of project staff based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as at 30 September 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 six months ended 30 September 2021 were approximately HK\$17.5 million (six months ended 30 September 2020: approximately HK\$15.5 million).

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place after 30 September 2021 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 5 March 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The main purpose of the Share Option Scheme is to motivate employees to optimize their performance efficiency for the benefit of the Company, to attract and retain best available personnel, to provide additional incentive to employees (full time or part time), directors, consultants, advisers of the Group and to promote success of the business of the Group.

No share options were granted, cancelled, exercised or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATIONS

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

INTERIM DIVIDEND

For the six months ended 30 September 2021, the Board of Directors has resolved not to declare any interim dividend (six months ended 30 September 2020: Nil).

CORPORATE GOVERNANCE

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. To the best of the knowledge of the Board, the Company has complied with the CG Code throughout the reporting period except for the following deviation (Code Provision A.2.1):

Chairman and Chief Executive Officer

Mr. Chu Kwok Fun is the Chairman and the Chief Executive Officer of the Company. Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Chu has held the key leadership position of our Group and has been deeply involved in the overall management, strategic planning and development of our business operation since its establishment, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Chu enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

Mr. Chu also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contribution in the Board’s affairs and promoting a culture of openness and debate.

The Board is of the view that although Mr. Chu is both Chairman and the Chief Executive Officer, the balance of power and authority under the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding Directors’ securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code throughout the reporting period.

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

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries since the beginning of the reporting period and up to the date of this announcement.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

The Directors confirm that neither the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business for the six months ended 30 September 2021, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

AUDIT COMMITTEE

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

The Company’s unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have been reviewed and approved by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 26 November 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.