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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 2022

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 2022, together with comparative figures for the corresponding period as follows:

FINANCIAL HIGHLIGHTS	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	104,282	116,187
Gross profit	7,097	7,809
Loss before taxation	(3,183)	(3,555)
Loss for the period	(2,719)	(3,172)
Loss per share, basic (<i>HK cents</i>)	(0.14)	(0.16)

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022.

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

For the six months ended 30 September 2022

		Six months ended	
		30 September	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	104,282	116,187
Cost of sales		(97,185)	(108,378)
		<hr/>	<hr/>
Gross profit		7,097	7,809
Other income and gains	4	1,371	416
Net impairment losses reversed under expected credit loss model		263	17
Operating and administrative expenses		(11,466)	(11,453)
Finance costs		(448)	(344)
		<hr/>	<hr/>
Loss before taxation	5	(3,183)	(3,555)
Income tax credit	6	464	383
		<hr/>	<hr/>
Loss and total comprehensive expense for the period		(2,719)	(3,172)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share, basic (<i>HK cents</i>)	8	(0.14)	(0.16)
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	<i>Notes</i>	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property and equipment	9	9,856	11,645
Deposit and prepayment for a life insurance policy		2,589	2,290
Rental deposits	10	728	743
Deferred tax assets		4,744	4,280
		<u>17,917</u>	<u>18,958</u>
Current assets			
Trade and other receivables	10	14,389	26,497
Contract assets	11	83,524	72,819
Tax recoverable		518	518
Pledged bank deposits		8,939	10,776
Bank balances and cash		49,411	46,120
		<u>156,781</u>	<u>156,730</u>
Current liabilities			
Trade and other payables	12	16,872	14,647
Contract liabilities	11	919	695
Lease liabilities		2,332	2,361
Bank borrowings	13	21,462	21,009
		<u>41,585</u>	<u>38,712</u>
Net current assets		<u>115,196</u>	118,018
Total assets less current liabilities		<u>133,113</u>	136,976
Non-current liabilities			
Lease liabilities		4,519	5,663
Other payables	12	750	750
		<u>5,269</u>	<u>6,413</u>
Net assets		<u>127,844</u>	<u>130,563</u>
Capital and reserves			
Share capital	14	20,000	20,000
Reserves		107,844	110,563
Total equity		<u>127,844</u>	<u>130,563</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**”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address 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, 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 2022 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 2022 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 2022 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 2022, 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 2022 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 2022 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 March 2022.

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 2022 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised over time		
Design, supply and installation services for		
– façade works	93,227	96,884
– building metal finishing works	11,055	19,303
	<u>104,282</u>	<u>116,187</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 loss 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 AND GAINS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain arising from early termination of a lease contract	1	–
Government grants (<i>Note</i>)	1,227	–
Guaranteed income from a life insurance policy	103	57
Bank interest income	35	90
Sundry income	5	269
	<u>1,371</u>	<u>416</u>

Note: During the six months ended 30 September 2022, the Group recognised government grants of HK\$1,227,000 in respect of Employment Support Scheme provided by the Hong Kong government.

5. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	270	270
Other emoluments	2,252	2,232
	<u>2,522</u>	<u>2,502</u>
Other staff costs		
Salaries and other benefits	12,331	14,522
Retirement benefit scheme contributions for other staffs	387	461
	<u>15,240</u>	<u>17,485</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	1,812	1,846
and after crediting:		
Guaranteed income from a life insurance policy	<u>103</u>	<u>57</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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The income tax credit comprises:		
Hong Kong Profits Tax		
Current period	–	–
Over-provision in prior year	–	(43)
	<u>–</u>	<u>(43)</u>
Deferred tax credit	(464)	(340)
	<u>(464)</u>	<u>(383)</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 2022, the Board has resolved not to declare any interim dividend (six months ended 30 September 2021: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period for the purpose of calculating basic loss per share	<u>(2,719)</u>	<u>(3,172)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>2,000,000</u>	<u>2,000,000</u>

No diluted loss 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 2022, the Group made additions to right-of-use assets of approximately HK\$45,000 (six months ended 30 September 2021: approximately HK\$222,000) and acquired items of office equipment and furniture with a cost of approximately HK\$51,000 (six months ended 30 September 2021: approximately HK\$31,000).

The Group did not dispose any of its property and equipment during the six months ended 30 September 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables	13,964	24,102
Less: Allowances for impairment	<u>(3,379)</u>	<u>(3,673)</u>
	<u>10,585</u>	<u>20,429</u>
Rental deposits	728	743
Deposits and prepayments	3,161	5,455
Other receivables	<u>643</u>	<u>613</u>
	15,117	27,240
Less: Rental deposits classified as non-current portion	<u>(728)</u>	<u>(743)</u>
Current portion of trade and other receivables	<u><u>14,389</u></u>	<u><u>26,497</u></u>

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

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

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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0 to 30 days	7,855	5,254
31 to 60 days	–	834
61 to 90 days	2,310	14,335
Over 90 days	420	6
	<u>10,585</u>	<u>20,429</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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
– façade works	75,662	68,070
– building metal finishing works	<u>12,948</u>	<u>9,804</u>
	88,610	77,874
Less: Allowances for impairment		
– façade works	(5,062)	(5,039)
– building metal finishing works	<u>(24)</u>	<u>(16)</u>
	(5,086)	(5,055)
	<u><u>83,524</u></u>	<u><u>72,819</u></u>
Contract assets, net of allowances for impairment		
– façade works	70,600	63,031
– building metal finishing works	<u>12,924</u>	<u>9,788</u>
	<u><u>83,524</u></u>	<u><u>72,819</u></u>
Contract liabilities		
– façade works	(238)	(216)
– building metal finishing works	<u>(681)</u>	<u>(479)</u>
	<u><u>(919)</u></u>	<u><u>(695)</u></u>

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Analysed on a gross basis for each respective contract:		
Contract assets		
– façade works	76,486	73,129
– building metal finishing works	<u>13,506</u>	<u>10,526</u>
	89,992	83,655
Less: Allowances for impairment		
– façade works	(5,062)	(5,039)
– building metal finishing works	<u>(24)</u>	<u>(16)</u>
	<u>(5,086)</u>	<u>(5,055)</u>
	84,906	78,600
Contract assets, net of allowances for impairment		
– façade works	71,424	68,090
– building metal finishing works	<u>13,482</u>	<u>10,510</u>
	84,906	78,600
Contract liabilities		
– façade works	(1,062)	(5,275)
– building metal finishing works	<u>(1,239)</u>	<u>(1,201)</u>
	(2,301)	(6,476)

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

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 2022 and 31 March 2022 will be recognised as revenue for the year ending 31 March 2023.

Changes of contract assets and contract liabilities during the period 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 2022, 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\$29,669,000 (31 March 2022: HK\$28,143,000).

12. TRADE AND OTHER PAYABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	11,274	10,195
Retention payables	2,832	2,227
Provision for reinstatement cost	750	750
Accrued expenses	2,766	2,225
	<u>17,622</u>	<u>15,397</u>
Less: provision classified as non-current portion	<u>(750)</u>	<u>(750)</u>
Current portion of trade and other payables	<u><u>16,872</u></u>	<u><u>14,647</u></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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	9,540	8,891
31 to 60 days	1,734	1,304
	<u><u>11,274</u></u>	<u><u>10,195</u></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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Variable-rate, secured and guaranteed bank borrowings, repayable within one year*	<u>21,462</u>	<u>21,009</u>

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

The above variable-rate bank borrowings as at 30 September 2022 bear interests ranging from Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.0% to 2.75% per annum (31 March 2022: HIBOR plus 1.8% to 2.0% per annum).

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

	30 September 2022 (Unaudited)	31 March 2022 (Audited)
Effective interest rates per annum: Variable-rate bank borrowings	<u>2.2%–5.5%</u>	<u>1.9%–2.7%</u>

As at 30 September 2022, a pledged bank deposit of HK\$3,000,000 (31 March 2022: HK\$3,000,000) has been pledged to secure banking facilities granted to the Group.

As at 30 September 2022, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$21,462,000 (31 March 2022: HK\$21,009,000).

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary share of HK\$0.01 each		
Authorised: At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid: At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	<u>2,000,000</u>	<u>20,000</u>

15. PERFORMANCE GUARANTEES

As at 30 September 2022, a surety bond of HK\$5,939,000 (31 March 2022: surety bonds of an aggregate balance of HK\$7,102,000) was given by a bank in favour of one of the Group's customers (31 March 2022: in favour of the Group's customers) as security for the performance and observance of the Group's obligations under the construction contract entered into between the Group and the customer. If the Group fails to provide satisfactory performance to the customer to whom the performance guarantee has been given, such customer may demand the bank to pay to the customer the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantee was granted under a letter of guarantee of the Group and was secured by the Group's pledged bank deposit of HK\$5,939,000 (31 March 2022: pledged bank deposits of totally HK\$7,776,000).

As at 30 September 2022 and 31 March 2022, 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 entered into the following related party transactions during the reporting period:

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,009	4,632
Retirement benefit scheme contributions	61	60
	<u>4,070</u>	<u>4,692</u>

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 2022, the Group had 19 projects in progress with a total original contract sum of approximately HK\$760.2 million and a total project backlog of approximately HK\$416.7 million. Total revenue of approximately HK\$104.3 million was recognised for the six months ended 30 September 2022.

During the six months ended 30 September 2022, we were awarded six new projects with a total contract sum of approximately HK\$159.7 million, out of which three projects belong to façade works projects and three projects belong to building metal finishing works projects.

The profit margins of our ongoing projects, which were awarded in prior years, remained under pressure. The overall building materials prices, cross-border logistics cost and overhead costs retained at a relatively high level during the reporting period.

OUTLOOK AND PROSPECTS

Looking forward, we are optimistic about the local construction industry in coming years despite the global economic uncertainties. A series of policy measures mentioned in the Chief Executive's 2022 Policy Address of the Hong Kong government, such as the expediting development of the Northern Metropolis, making available sufficient land for private housing development in next five years, taking forward three strategic railway projects, etc., continue to support the momentum of the local market of façade works and building metal finishing works.

Although it is expected that our profit margin will suffer from high building material prices and overhead costs for a certain period of time, we believe it will recover gradually when more new projects with reasonable profit margins are awarded and their installation works get started. We will keep on implementing cost control measures to reduce the potential impact of global economic uncertainties and closely monitor the trends of the global and local market. The Group will continue to maintain sufficient financial resources to tackle potential changes of the market and to capture any new opportunities.

FINANCIAL REVIEW

Revenue

The table below sets forth an analysis of our revenue by the types of services provided for the six months ended 30 September 2022 and 2021:

	Six months ended 30 September			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	93,227	89.4	96,884	83.4
Building metal finishing works	11,055	10.6	19,303	16.6
Total	104,282	100.0	116,187	100.0

The Group's revenue decreased by approximately HK\$11.9 million or approximately 10.2% from approximately HK\$116.2 million for the six months ended 30 September 2021 to approximately HK\$104.3 million for the six months ended 30 September 2022. The decrease in revenue recognised was primarily attributed to the completion of major installation works of two building metal finishing projects, while projects newly awarded in current period was still in preparation stage.

The table below sets forth an analysis of our revenue by sectors for the six months ended 30 September 2022 and 2021:

	Six months ended 30 September			
	2022		2021	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	65,913	63.2	57,166	49.2
Commercial properties	3,636	3.5	8,376	7.2
Public facilities	34,733	33.3	50,645	43.6
Total	104,282	100.0	116,187	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 2022 and 2021:

	Six months ended 30 September		2021	
	2022	Gross profit margin	2021	Gross profit margin
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Façade works	6,243	6.7	5,116	5.3
Building metal finishing works	854	7.7	2,693	13.9
Total	<u>7,097</u>	<u>6.8</u>	<u>7,809</u>	<u>6.7</u>

The Group's gross profit decreased by approximately HK\$0.7 million from approximately HK\$7.8 million for the six months ended 30 September 2021 to approximately HK\$7.1 million for the six months ended 30 September 2022. The gross profit margin maintained at approximately 6.7% to 6.8% for the six months ended 30 September 2022 and 2021.

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 2022 and 2021:

	Six months ended 30 September		2021	
	2022	Gross profit margin	2021	Gross profit margin
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Residential properties	4,559	6.9	1,312	2.3
Commercial properties	(61)	(1.7)	291	3.5
Public facilities	2,599	7.5	6,206	12.3
Total	<u>7,097</u>	<u>6.8</u>	<u>7,809</u>	<u>6.7</u>

The gross profit margin of commercial properties projects decreased from approximately 3.5% for the six months ended 30 September 2021 to approximately -1.7% for the six months ended 30 September 2022. The negative gross profit margin of commercial properties projects recognised in the six months ended 30 September 2022 was mainly resulted from the change to estimated total budgeted contract cost of a commercial properties project due to additional costs incurred for defects fixing during its completion stage.

Operating and administrative expenses

The Group's operating and administrative expenses maintained stable at approximately HK\$11.5 million for the six months ended 30 September 2022 and 2021.

Loss and total comprehensive expense for the period

As a result of the foregoing, the Group's net loss for the six months ended 30 September 2022 was amounted to approximately HK\$2.7 million, compared to the Group's net loss of approximately HK\$3.2 million for the six months ended 30 September 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2022, the Group had net current assets of approximately HK\$156.8 million (31 March 2022: approximately HK\$156.7 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 3.8 times as at 30 September 2022 (31 March 2022: approximately 4.0 times).

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

As at 30 September 2022, the Group had bank balances and cash of approximately HK\$49.4 million (31 March 2022: approximately HK\$46.1 million). The Group continued to maintain a healthy liquidity position.

Bank borrowings

As at 30 September 2022, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$85.0 million, out of which an aggregate amount of approximately HK\$27.4 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 16.8% as at 30 September 2022 (31 March 2022: approximately 16.1%).

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 during the reporting period.

Pledge of assets

As at 30 September 2022, the pledged bank deposits of approximately HK\$8.9 million (31 March 2022: approximately HK\$10.8 million) have been pledged to secure banking facilities granted to the Group and a surety bond of approximately HK\$5.9 million (31 March 2022: surety bonds of aggregate balance of approximately HK\$7.1 million) given by banks.

As at 30 September 2022, the lease liabilities of approximately HK\$6.1 million (31 March 2022: approximately HK\$7.2 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2022: 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 2022, the Group incurred capital expenditure of approximately HK\$51,000 (six months ended 30 September 2021: approximately HK\$31,000).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 30 September 2022 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

The Group may from time to time consider appropriate new business opportunities, as and when appropriate, in order to enhance its shareholders' value. Save as disclosed herein, there was no specific plan for material investments or capital assets as at 30 September 2022.

OTHER INFORMATION

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 50 (31 March 2022: 54) full time employees (including two executive Directors but excluding three independent non-executive Directors). The decrease in the number of employees was mainly attributable to the decrease 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 2022 and 31 March 2022.

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 2022 were approximately HK\$15.2 million (six months ended 30 September 2021: approximately HK\$17.5 million).

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place after 30 September 2022 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.

Share options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant.

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

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 2022, the Board has resolved not to declare any interim dividend (six months ended 30 September 2021: Nil).

CORPORATE GOVERNANCE

The Company is committed in achieving a high level of corporate governance standard. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of its shareholders, enhance its corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company’s corporate governance practices are based on the principles and relevant code provisions as set out under the Corporate Governance Code (“**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 C.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 C.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 during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the reporting period.

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 2022 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 2022 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, 28 November 2022

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.