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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 2023

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 2023, together with comparative figures for the corresponding period as follows:

	Six months ended	
	30 September	
	2023	2022
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Revenue	107,796	104,282
Gross profit	12,148	7,097
Profit (loss) before taxation	1,353	(3,183)
Profit (loss) for the period	1,139	(2,719)
Earnings (loss) per share, basic <i>(HK cents)</i>	0.06	(0.14)

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2023.

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

For the six months ended 30 September 2023

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	107,796	104,282
Cost of sales		(95,648)	(97,185)
		<hr/>	<hr/>
Gross profit		12,148	7,097
Other income and gains	4	790	1,371
Net impairment losses reversed under expected credit loss model		21	263
Operating and administrative expenses		(10,713)	(11,466)
Finance costs		(893)	(448)
		<hr/>	<hr/>
Profit (loss) before taxation	5	1,353	(3,183)
Income tax (expense) credit	6	(214)	464
		<hr/>	<hr/>
Profit (loss) and total comprehensive income (expense) for the period		1,139	(2,719)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share, basic (<i>HK cents</i>)	8	0.06	(0.14)
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

	<i>Notes</i>	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Non-current assets			
Property and equipment	9	6,596	8,320
Deposit and prepayment for a life insurance policy		–	2,923
Rental deposits	10	728	728
Deferred tax assets		4,073	4,287
		11,397	16,258
Current assets			
Trade and other receivables	10	11,353	16,520
Contract assets	11	85,865	79,295
Tax recoverable		–	518
Pledged bank deposits		3,000	3,000
Bank balances and cash		69,307	56,254
		169,525	155,587
Current liabilities			
Trade and other payables	12	21,538	12,956
Contract liabilities	11	4,615	943
Lease liabilities		2,386	2,328
Bank borrowings	13	25,622	28,788
		54,161	45,015
Net current assets		115,364	110,572
Total assets less current liabilities		126,761	126,830
Non-current liabilities			
Lease liabilities		2,411	3,619
Other payables	12	750	750
		3,161	4,369
Net assets		123,600	122,461
Capital and reserves			
Share capital	14	20,000	20,000
Reserves		103,600	102,461
Total equity		123,600	122,461

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 (“**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 2023 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 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 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 2023 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKAS and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 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 2023 are the same as those presented in the Group’s consolidated financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised over time		
Design, supply and installation services for		
– façade works	73,665	93,227
– building metal finishing works	34,131	11,055
	<u>107,796</u>	<u>104,282</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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain arising from early termination of a lease contract	–	1
Government grants (<i>Note</i>)	–	1,227
Income from a life insurance policy	526	103
Bank interest income	264	35
Sundry income	–	5
	<u>–</u>	<u>5</u>
	790	1,371
	<u>790</u>	<u>1,371</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. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Directors' remunerations		
Fee	270	270
Other emoluments	2,304	2,252
	<u>–</u>	<u>2,522</u>
	2,574	2,522
Other staff costs		
Salaries and other benefits	14,579	12,331
Retirement benefit scheme contributions for other staffs	437	387
	<u>–</u>	<u>387</u>
Total staff costs	17,590	15,240
	<u>–</u>	<u>15,240</u>
Variable rents in respect of office equipment which are not included in lease liabilities (<i>Note</i>)	–	22
Depreciation on property and equipment	1,754	1,812
	<u>–</u>	<u>1,812</u>
and after crediting:		
Income from a life insurance policy	526	103
	<u>526</u>	<u>103</u>

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

6. INCOME TAX EXPENSE (CREDIT)

Six months ended	
30 September	
2023	2022
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

The income tax expense (credit) comprises:

Deferred tax expense (credit)	<u>214</u>	<u>(464)</u>
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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 2023, the Board has resolved not to declare any interim dividend (six months ended 30 September 2022: Nil).

8. EARNINGS (LOSS) PER SHARE

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

Six months ended	
30 September	
2023	2022
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Earnings (loss):

Profit (loss) for the period for the purpose of calculating basic earnings (loss) per share	<u>1,139</u>	<u>(2,719)</u>
	'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>2,000,000</u>	<u>2,000,000</u>
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No diluted earnings (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 2023, the Group acquired items of office equipment and furniture with a cost of approximately HK\$30,000 (six months ended 30 September 2022: made additions to right-of-use assets of approximately HK\$45,000 and acquired items of office equipment and furniture with a cost of approximately HK\$51,000).

The Group did not dispose any of its property and equipment during the six months ended 30 September 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables	7,813	12,227
Less: Allowances for impairment	<u>(3,326)</u>	<u>(3,356)</u>
	<u>4,487</u>	<u>8,871</u>
Rental deposits	728	728
Deposits and prepayments	6,316	7,079
Other receivables	<u>550</u>	<u>570</u>
	12,081	17,248
Less: Rental deposits classified as non-current portion	<u>(728)</u>	<u>(728)</u>
Current portion of trade and other receivables	<u>11,353</u>	<u>16,520</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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0 to 30 days	2,863	7,305
31 to 60 days	1,618	–
61 to 90 days	–	1,324
Over 90 days	<u>6</u>	<u>242</u>
	<u>4,487</u>	<u>8,871</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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Analysed for reporting purposes, on a net basis for each respective contract:		
Contract assets		
– façade works	54,828	65,253
– building metal finishing works	35,791	18,787
	<u>90,619</u>	<u>84,040</u>
Less: Allowances for impairment		
– façade works	(4,606)	(4,690)
– building metal finishing works	(148)	(55)
	<u>(4,754)</u>	<u>(4,745)</u>
	<u><u>85,865</u></u>	<u><u>79,295</u></u>
Contract assets, net of allowances for impairment		
– façade works	50,222	60,563
– building metal finishing works	35,643	18,732
	<u>85,865</u>	<u>79,295</u>
Contract liabilities		
– façade works	(3,733)	(136)
– building metal finishing works	(882)	(807)
	<u>(4,615)</u>	<u>(943)</u>

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Analysed on a gross basis for each respective contract:		
Contract assets		
– façade works	58,940	65,925
– building metal finishing works	36,281	19,291
	<u>95,221</u>	<u>85,216</u>
Less: Allowances for impairment		
– façade works	(4,606)	(4,690)
– building metal finishing works	(148)	(55)
	<u>(4,754)</u>	<u>(4,745)</u>
	<u>90,467</u>	<u>80,471</u>
Contract assets, net of allowances for impairment		
– façade works	54,334	61,235
– building metal finishing works	36,133	19,236
	<u>90,467</u>	<u>80,471</u>
Contract liabilities		
– façade works	(8,148)	(808)
– building metal finishing works	(1,069)	(1,311)
	<u>(9,217)</u>	<u>(2,119)</u>

Contract assets

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

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

Retention receivables, 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 2023 and 31 March 2023 will be recognised as revenue for the year ending 31 March 2024.

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 2023, 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\$33,811,000 (31 March 2023: HK\$31,138,000).

12. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	14,988	8,122
Retention payables	3,748	2,297
Provision for reinstatement cost	750	750
Other payables	–	108
Provision for an onerous contract	–	272
Accrued expenses	2,802	2,157
	<u>22,288</u>	<u>13,706</u>
Less: provision classified as non-current portion	<u>(750)</u>	<u>(750)</u>
Current portion of trade and other payables	<u><u>21,538</u></u>	<u><u>12,956</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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0 to 30 days	14,844	8,010
31 to 60 days	124	112
61 to 90 days	–	–
Over 90 days	20	–
	<u>14,988</u>	<u>8,122</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 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Variable-rate, secured and guaranteed bank borrowings, repayable within one year and on demand clause*	<u>25,622</u>	<u>28,788</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 2023 bear interests ranging from Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.0% to 2.75% per annum (31 March 2023: HIBOR plus 2.0% to 2.75% per annum).

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

	As at 30 September 2023 (Unaudited)	As at 31 March 2023 (Audited)
Effective interest rates per annum: Variable-rate bank borrowings	<u>7.2% – 7.8%</u>	<u>4.6% – 7.7%</u>

As at 30 September 2023, a pledged bank deposit of HK\$3,000,000 (31 March 2023: HK\$3,000,000) has been pledged to secure banking facilities granted to the Group.

As at 30 September 2023, the aggregate carrying amount of bank borrowings with a repayment on demand clause amounted to HK\$25,622,000 (31 March 2023: HK\$28,788,000).

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023	<u>2,000,000</u>	<u>20,000</u>

15. PERFORMANCE GUARANTEES

As at 30 September 2023, surety bonds of an aggregate balance of HK\$17,829,000 (31 March 2023: HK\$17,829,000) were given by a financial institution 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 financial institution to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such financial institution 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 not secured by any of the Group's pledged bank deposits (31 March 2023: Nil) as at 30 September 2023.

As at 30 September 2023, 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 (31 March 2023: 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,295	4,009
Retirement benefit scheme contributions	57	61
	<u>4,352</u>	<u>4,070</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 2023, the Group had 13 projects in progress with a total original contract sum of approximately HK\$811.6 million and a total project backlog of approximately HK\$400.0 million. Total revenue of approximately HK\$107.8 million was recognised for the six months ended 30 September 2023.

During the six months ended 30 September 2023, we were awarded six new projects with a total contract sum of approximately HK\$62.5 million, out of which five projects belong to façade works projects and one project belong to building metal finishing works project.

The Group's overall gross profit margin continued to improve during the reporting period thanks to a series of successful cost control measures imposed.

OUTLOOK AND PROSPECTS

An array of measures on Hong Kong's economic development have been mentioned in the Chief Executive's 2023 Policy Address, which showed numerous commitments on land and housing supply as well as the continued investment in construction industry. The outlined development of the Northern Metropolis will be the upcoming new engine for growth. It is expected that Hong Kong's construction industry is full of opportunities in long term, though we should address the challenge of current global economic uncertainties through maintaining our competitive strengths.

Competition in the construction market is fierce under the challenging economic environment. The local property developers and owners are expected to continue their stringent control on project budgets. The profit margins of our projects will remain under pressure. In order to manage the underlying risks, we will maintain the prudent approach on bidding new projects and keep our cost control measures in place. We strive to strengthen our competitive strengths to capture the future opportunities upcoming.

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 2023 and 2022:

	Six months ended 30 September			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	73,665	68.3	93,227	89.4
Building metal finishing works	34,131	31.7	11,055	10.6
Total	107,796	100.0	104,282	100.0

The Group's revenue slightly increased by approximately HK\$3.5 million or approximately 3.4% from approximately HK\$104.3 million for the six months ended 30 September 2022 to approximately HK\$107.8 million for the six months ended 30 September 2023. The slight increase in revenue recognised was primarily attributed to the start of a building metal finishing project which was awarded in prior year, while the progress of some ongoing façade projects was delayed due to the delay of overall construction programme initiated by main contractors or project owners.

The table below sets forth an analysis of our revenue by sectors for the six months ended 30 September 2023 and 2022:

	Six months ended 30 September			
	2023		2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential properties	55,222	51.2	65,913	63.2
Commercial properties	1,079	1.0	3,636	3.5
Public facilities	51,495	47.8	34,733	33.3
Total	107,796	100.0	104,282	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 2023 and 2022:

	Six months ended 30 September			
	2023		2022	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>HK\$'000</i>	(<i>%</i>)	<i>HK\$'000</i>	(<i>%</i>)
Façade works	8,347	11.3	6,243	6.7
Building metal finishing works	3,801	11.1	854	7.7
Total	12,148	11.3	7,097	6.8

The Group's gross profit increased by approximately HK\$5.0 million from approximately HK\$7.1 million for the six months ended 30 September 2022 to approximately HK\$12.1 million for the six months ended 30 September 2023. The gross profit margin increased from approximately 6.8% for the six months ended 30 September 2022 to approximately 11.3% for the six months ended 30 September 2023. The significant increase of gross profit margin was mainly attributable to the combined effect of the improvement on gross profit margin resulted from the enhancement of project costs control and the contribution from certain newly awarded projects with relatively higher gross profit margin.

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 2023 and 2022:

	Six months ended 30 September			
	2023		2022	
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	<i>HK\$'000</i>	(<i>%</i>)	<i>HK\$'000</i>	(<i>%</i>)
Residential properties	6,675	12.1	4,559	6.9
Commercial properties	937	86.8	(61)	(1.7)
Public facilities	4,536	8.8	2,599	7.5
Total	12,148	11.3	7,097	6.8

During the discussion of final accounts of two commercial properties projects, the total sum of variation orders completed for these projects was agreed at a value higher than the budgeted, leading to the increase of gross profit margin of commercial properties projects from approximately -1.7% for the six months ended 30 September 2022 to approximately 86.8% for the six months ended 30 September 2023.

Operating and administrative expenses

The Group's operating and administrative expenses decreased from approximately HK\$11.5 million for the six months ended 30 September 2022 to approximately HK\$10.7 million for the six months ended 30 September 2023, representing a decrease of approximately HK\$0.8 million or 6.6%. The decrease was mainly attributable to the lower legal and professional expenses incurred during the period.

Profit (loss) and total comprehensive income (expense) for the period

As a result of the foregoing, the Group's net profit for the six months ended 30 September 2023 was amounted to approximately HK\$1.1 million, compared to the Group's net loss of approximately HK\$2.7 million for the six months ended 30 September 2022.

Deposit and prepayment for a life insurance policy

On 3 August 2023, a subsidiary of the Company surrendered a life insurance policy (the "Policy") to insure a director of the Company, namely Mr. Chu. At the date of termination of the Policy, the Group received cash refund of approximately HK\$3.5 million based on (i) the guaranteed value and (ii) the non-guaranteed terminal dividend and accumulated dividends and interest under the policy.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2023, the Group had net current assets of approximately HK\$115.4 million (31 March 2023: approximately HK\$110.6 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 3.1 times as at 30 September 2023 (31 March 2023: approximately 3.5 times).

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

As at 30 September 2023, the Group had bank balances and cash of approximately HK\$69.3 million (31 March 2023: approximately HK\$56.3 million). The Group continued to maintain a healthy liquidity position.

Bank borrowings

As at 30 September 2023, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$115.0 million, out of which an aggregate amount of approximately HK\$43.5 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 pledged 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 20.7% as at 30 September 2023 (31 March 2023: approximately 23.5%).

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

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. There was no change in the capital structure of the Group during the reporting period.

Pledge of assets

As at 30 September 2023, the pledged bank deposits of approximately HK\$3.0 million (31 March 2023: approximately HK\$3.0 million) have been pledged to secure banking facilities granted to the Group given by a bank.

As at 30 September 2023, the lease liabilities of approximately HK\$4.0 million (31 March 2023: approximately HK\$5.1 million) are secured by rental deposits with carrying values of approximately HK\$0.7 million (31 March 2023: 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 2023, the Group incurred capital expenditure of approximately HK\$30,000 (six months ended 30 September 2022: approximately HK\$51,000).

Capital commitments and contingent liabilities

The detailed information of performance guarantees of the Group as at 30 September 2023 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 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2023, the Group had 57 (31 March 2023: 54) 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 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 2023 and 31 March 2023.

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 2023 were approximately HK\$17.6 million (six months ended 30 September 2022: approximately HK\$15.2 million).

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place after 30 September 2023 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. Despite the terms of the Share Option Scheme, any grant of share options by the Company will comply with the Listing Rules from time to time.

The number of options available for grant under the scheme mandate at the beginning and the end of the reporting period was 200,000,000.

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 2023, the Board has resolved not to declare any interim dividend (six months ended 30 September 2022: 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 code provisions set out in Part 2 of 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 primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process, and perform other duties and responsibilities assigned by the Board.

The Company’s unaudited condensed consolidated financial statements for the six months ended 30 September 2023 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 2023 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 2023

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.