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## **HORIZON CONSTRUCTION DEVELOPMENT LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9930)**

### **ANNOUNCEMENT ON CHANGES IN ACCOUNTING ESTIMATES**

This announcement is made by Horizon Construction Development Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company (together with its subsidiaries, collectively referred to as “**Group**”) hereby announces that, the Group will make changes to the depreciation life and expected net residual value rate of certain fixed assets for the accounting or reporting period commencing on 1 January 2024 (“**changes in accounting estimates**”) after consideration and approval of the Board.

#### **I. REASONS AND DETAILS OF CHANGES IN ACCOUNTING ESTIMATES**

As of 31 December 2023, the Group’s fixed assets mainly consisted of aerial work platforms of RMB9,215,312,000, neo-excavation support system of RMB5,011,742,000 and neo-formwork system of RMB3,100,784,000, etc., where the main product of neo-formwork system is hot-dip galvanizing scaffold. The Group’s hot-dip galvanizing scaffolds mainly use high-strength and high-hardness structural steel as material, and mainly adopt hot-dip galvanizing with galvanized thickness of 55-70/um, which makes the steel pipes corrosion-resistant and the galvanized layer uneasy to fall off and be physically damaged. In addition, the “cold zinc-spraying” process recently introduced by the Group can continuously repair galvanized layer, effectively extend the useful life of such assets. Accordingly, under normal maintenance and usage, the Group estimates that the useful life of hot-dip galvanizing scaffolds can reach 20 years or more. On 29 February 2024, China Formwork and Scaffold Association issued the Announcement on the Expert Evaluation of “Useful Life of Ringlock Scaffolds” (《關於“盤扣式腳手架使用年限”專家論證情況的公告》), which supports the aforesaid assessment judgement of the Group. Meanwhile, with reference to the scrap steel transaction prices (exclusive of tax) in open market for the last five years and taking into account the estimated cost of disposal by the Group, the disposal prices (exclusive of tax) of the Group’s hot-dip galvanizing scaffolds accounted for approximately 30% of the original value of such fixed assets.

According to the relevant requirements of the Hong Kong Accounting Standard (“HKAS”) 16 for Property, Plant and Equipment, the useful life, expected net residual value and depreciation method of an asset shall be reviewed annually by the Company at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. According to the above-mentioned announcement issued by China Formwork and Scaffold Association, considering the actual circumstances of depreciation life of the same or similar scaffolds in the same sectors, the Group has carried out a reassessment on the usage status and expected useful life of its hot-dip galvanizing scaffolds in the neo-formwork system under the guidance of the HKASs. Meanwhile, the Group has reassessed the expected net residual value by taking into account the trend of scrap steel transaction prices (exclusive of tax) in open market and the actual disposal prices (exclusive of tax) in recent years. In order to more accurately reflect the actual conditions of the useful life and expected net residual value of relevant category of fixed assets of the Group, to enhance the reliability, relevance and comparability of the financial statements of the Group and to promote the sustainable and high-quality development of the Group, the Group resolved to change the accounting estimates of the depreciation life and expected net residual value rate of the relevant fixed assets for the accounting or reporting period commencing on 1 January 2024. Therefore, the expected useful life of the hot-dip galvanizing scaffolds in the neo-formwork system would be changed from 10 years to 20 years, and the expected net residual value rate would be changed from 10% to 30%.

## **II. IMPACT OF CHANGES IN ACCOUNTING ESTIMATES ON THE GROUP**

The changes in accounting estimates take effect from the accounting or reporting period commencing on 1 January 2024. The changes in accounting estimates are adopted with prospective application method without retrospective adjustments, which will not have impacts on the Group’s disclosed financial statements and reports. Based on the information currently available, assuming that the relevant fixed assets of the Group as at 31 December 2023 remain unchanged, the changes in accounting estimates calculated in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) are expected to decrease the depreciation charge of the Group for the year ending 31 December 2024 by approximately RMB280 million, and increase the profit for the year of the Group for the year ending 31 December 2024 by approximately RMB210 million accordingly after taking into account the related tax effect.

The expected impact of the above changes in accounting estimates on depreciation charge and profit for the year is only a preliminary assessment made by the Group based on the information currently available, which has not been reviewed or audited by the Group’s auditor. The actual impact shall be subject to the amounts disclosed in the audited annual results of the Group for 2024.

Taking into account the opinion of the audit committee of the Board, the Board is of the view that the changes in accounting estimates are in compliance with applicable laws and regulations. The changes in accounting estimates are able to reflect the actual conditions of the useful life and expected net residual value of the relevant fixed assets of the Group more accurately. Meanwhile, it is in compliance with relevant requirements of HKFRSs and in the interests of the Company and its shareholders as a whole.

**The shareholders and potential investors of the Company are advised to exercise caution in dealing in the securities of the Company.**

By Order of the Board  
**Horizon Construction Development Limited**  
**KONG Fanxing**  
*Chairman*

Hong Kong, 12 March 2024

*As at the date of this announcement, the executive directors of the Company are Mr. PAN Yang (Chief Executive Officer) and Mr. TANG Li, the non-executive directors of the Company are Mr. KONG Fanxing (Chairman), Mr. XU Huibin, Mr. HE Ziming, Mr. LI Qianjin and Ms. GUO Lina, and the independent non-executive directors of the Company are Mr. LIU Jialin, Mr. XU Min, Ms. JIN Jinping and Mr. SUM Siu Kei.*