

TWINTEK INVESTMENT HOLDINGS LIMITED

乙德投資控股有限公司

INTERIM REPORT 2018/19

(Incorporated in the Cayman Islands with limited liability) Stock Code : 6182



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lo Wing Cheung (*Chairman*)
Ms. Fung Pik Mei

Non-executive Director

Mr. Wan Ho Yin

Independent Non-executive Directors

Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

AUDIT COMMITTEE

Mr. Shu Wa Tung Laurence
(*Chairman*)
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok
Mr. Wan Ho Yin

REMUNERATION COMMITTEE

Mr. Tam Wing Lok (*Chairman*)
Mr. Lo Wing Cheung
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor

NOMINATION COMMITTEE

Mr. Lo Wing Cheung (*Chairman*)
Mr. Shu Wa Tung Laurence
Mr. Tam Wai Tak Victor
Mr. Tam Wing Lok

COMPANY SECRETARY

Mr. Chau Ka Ho

AUDITOR

SHINEWING (HK) CPA Limited

COMPLIANCE ADVISOR

Ample Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Lo Wing Cheung
Ms. Fung Pik Mei

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services
(Cayman) Limited
PO BOX 1093
Boundary Hall Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited

REGISTERED OFFICE

PO BOX 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 806, 8/F Eastern Centre
1065 King's Road
Quarry Bay
Hong Kong

SHARE INFORMATION

Ordinary share listing
Place of listing Main Board of
The Stock
Exchange of Hong
Kong Limited
Stock code 06182
Board lot size 8,000 Shares

WEBSITE

www.kwantaieng.com

Management Discussion and Analysis

BUSINESS REVIEW AND MARKET PROSPECT

Twintek Investment Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) provides building materials and the relevant installation services mainly in Hong Kong. The Group’s products mainly consist of (i) timber flooring products; (ii) interior wall-fill materials, in particular, gypsum block products; (iii) woodwork products; and (iv) roof tiles.

Regarding the business environment of the Group, the Group noted increased competition in both timber flooring products and gypsum block products markets during the six months ended 30 September 2018. In particular, the Group observed an increased number of competitors and their aggressive pricing strategies in bidding for new projects. To cope with such increased competition and to maintain market share, the Group has introduced a new type of gypsum block product to the Hong Kong market during the six months ended 30 September 2018 (the “**Period**”), with qualities fit for the building material specifications of hospitals.

On product variety, timber flooring products and gypsum block products are two major types of products which contributed approximately 90.0% of the Group’s revenue for the Period (six months ended 30 September 2017 (the “**Previous Period**”): approximately 86.9%). In order to broaden the Group’s business spectrum, the Group has explored the business in the timber door products market during the Period. Leveraging long term business relationships with customers and the Group’s reputation in timber flooring products market, marketing and promotion of the Group’s timber door products has received encouraging progress, which contributed approximately HK\$8.0 million revenue to the Group for the Period (Previous Period: Nil).

The Group regularly monitors the work progress of projects on hand. Based on the latest work programme and available information, a supply and installation project, namely project B1 as set out in the section headed “Business — Our Projects” in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”), will work behind schedule due to the change of main contractor in the Period. A deed of transfer and assignment (the “**Deed**”) relating to the Group’s engagement in project B1 was signed on 22 November 2018 between a subsidiary of the project owner and the Group. According to the Deed, the Group’s engagement in project B1, in particular the scope of work and contract sum, shall be the same as the original contract. The initial expected completion period was March 2019 as stated in the Prospectus while the latest expected completion period would be postponed to the year ending 31 March 2020.

Going forward, the Group continues to expect competition in obtaining new projects as well as cost escalation in materials and labour in the construction industry. The Group will strive to maintain the market share and quality of the Group’s products and services. In view of the residential housing demand in Hong Kong, the Group believes that the timber flooring products projects would continuously be flourishing with vigorous competition. In the long term, the Group will use its best endeavours to acquire business opportunities for potential projects in the 10-Year Hospital Development Plan announced in “The Chief Executive’s 2016 Policy Address” for the construction of new hospitals and redevelopment/expansion of existing hospitals.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

The Group's revenue was generated from two segments: (i) supply and installation projects; and (ii) sales of building materials projects. The Group's total revenue decreased by approximately HK\$10.7 million, or approximately 7.2%, from approximately HK\$147.9 million for the Previous Period to approximately HK\$137.2 million for the Period. Such decrease was mainly attributable to the decreases in revenue generated from both supply and installation projects and sales of building materials projects of gypsum block products.

Supply and installation projects

The Group's revenue generated from supply and installation projects decreased by approximately HK\$4.6 million, or approximately 3.8%, from approximately HK\$120.3 million for the Previous Period to approximately HK\$115.7 million for the Period. Such decrease was mainly due to the combined effect from (i) the decrease in revenue generated from supply and installation of gypsum block products for the Period by approximately 22.9% as a result of the completion of certain supply and installation of gypsum block products projects in the Previous Period; and (ii) the increase in revenue generated from supply and installation of timber flooring products for the Period by approximately 8.7%.

Sales of building materials projects

The Group's revenue generated from sales of building materials projects recorded a decrease of approximately HK\$6.1 million, or approximately 22.1%, from approximately HK\$27.6 million for the Previous Period to approximately HK\$21.5 million for the Period. Such decrease was mainly attributable to the decrease in revenue generated from supply of gypsum block products for the Period by approximately 29.1% as a result of the increased market competition as mentioned above.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$118.2 million for the Period, representing an increase of approximately 3.3% (Previous Period: approximately HK\$114.4 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.0% (Previous Period: approximately 98.2%) of the Group's total cost of sales and services for the Period.

Management Discussion and Analysis (Continued)

The Group's material costs mainly comprised timber flooring materials and gypsum block materials. The Group's material costs amounted to approximately HK\$72.7 million for the Period, representing an increase of approximately HK\$10.1 million (Previous Period: approximately HK\$62.6 million). Such increase in material costs for the Period was mainly derived from the timber flooring materials. Compared to the Previous Period, the Group recorded an increase in purchase cost of timber flooring materials by approximately 21.1% for the Period, which was generally in line with the increase in revenue generated from supply and installation of timber flooring products projects and sales of timber flooring products projects during the Period.

The Group recorded a decrease in subcontracting costs under cost of sales and services by approximately 13.0% for the Period. Such decrease was mainly due to the combined effect from (i) the decrease in subcontracting costs incurred in supply and installation of gypsum block products projects and provision of refurbishment services for the Period; and (ii) the increase in subcontracting costs incurred in supply and installation of timber flooring products projects for the Period.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$14.5 million, or approximately 43.3%, from approximately HK\$33.5 million for the Previous Period to approximately HK\$19.0 million for the Period, while the Group's gross profit margin decreased from approximately 22.7% for the Previous Period to approximately 13.9% for the Period.

The gross profit and gross profit margin of the Group's projects are affected by a number of factors, including scope of work, technical complexity, variation orders (if any) and/or work programme, and therefore vary from project to project.

The decrease in the Group's gross profit and gross profit margin for the Period was mainly due to (i) the decrease in gross profit margin of supply of gypsum block products projects, which resulted from the increased competition in gypsum block products market faced by the Group in obtaining new projects and completion of certain material supply of gypsum block projects before the Period; (ii) delay in progress of certain supply and installation projects and supply only projects; and (iii) additional costs incurred towards the completion stage of certain timber flooring products supply and installation projects.

Management Discussion and Analysis (Continued)

Other than the abovementioned factors, the decrease in the Group's gross profit margin was attributable to the increase in proportion of the Group's revenue generated from supply and installation projects. In general, the gross profit margin of sales of building materials projects is higher than the supply and installation projects. Given the proportion of the Group's total revenue contribution from supply and installation projects increased from approximately 81.3% during the Previous Period to 84.3% during the Period, while the revenue contribution from sales of building materials projects decreased from approximately 18.7% during the Previous Period to 15.7% during the Period, the Group's gross profit margin decreased accordingly.

Other Income

The Group's other income increased by approximately HK\$0.8 million, or approximately 200.0%, from approximately HK\$0.4 million for the Previous Period to approximately HK\$1.2 million for the Period. The increase in other income was mainly attributable to the net exchange rate difference.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses and storage expenses. The total selling and distribution expenses decreased by approximately HK\$0.4 million, or approximately 9.1%, from approximately HK\$4.4 million for the Previous Period to approximately HK\$4.0 million for the Period, mainly due to the decrease in sales of building materials projects.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$6.0 million, or approximately 30.8%, from approximately HK\$19.5 million for the Previous Period to approximately HK\$13.5 million for the Period. The decrease in administrative expenses was mainly attributable to the combined effect from (i) the absence of the non-recurring listing expenses in the Period, where approximately HK\$5.7 million was incurred in the Previous Period; (ii) the net exchange loss in relation to the purchase of materials from overseas of approximately HK\$1.6 million in the Previous Period; and (iii) the increase in staff costs and professional fees in relation to the business expansion and compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Management Discussion and Analysis (Continued)

Finance Costs

The Group's finance costs decreased by approximately HK\$0.4 million, or approximately 33.3%, from approximately HK\$1.2 million for the Previous Period to approximately HK\$0.8 million for the Period. The decrease in finance costs was mainly attributable to the decrease in effective interest rate for the Period.

Income Tax Expenses and Effective Tax Rate

The Group's income tax expenses decreased by approximately HK\$2.3 million, or approximately 95.8%, from approximately HK\$2.4 million for the Previous Period to approximately HK\$0.1 million for the Period. Such decrease was due to the decrease in the profit before income tax (excluding the listing expense) for the Period and the two-tiered profits tax regime commencing from the year of assessment 2018/19.

The Group's effective tax rate decreased from approximately 27.3% for the Previous Period to approximately 6.6% for the Period, which was due to the two-tiered profits tax regime commencing from the year of assessment 2018/19 and the non-deductible listing expenses incurred in the Previous Period. By excluding the non-deductible listing expenses for the Previous Period, the effective tax rates were approximately 6.6% and 16.5% for the Period and Previous Period respectively.

Net Profit and Net Profit Margin

The Group's net profit decreased by approximately HK\$4.4 million, from approximately HK\$6.3 million for the Previous Period to approximately HK\$1.9 million for the Period, representing a decline of approximately 69.8%. The decrease in net profit was mainly attributable to the decrease in revenue and gross profit for the Period as mentioned above and partly offset by; (i) the absence of non-recurring listing expenses in the Period; and (ii) the increase in net exchange gain for the Period.

The Group's net profit margin were approximately 1.4% and 4.3% for the Period and the Previous Period respectively, and such decrease was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group financed its operations through a combination of cash flow from operations, borrowings and the net proceeds received by the Company through the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 January 2018 (the "Listing Date").

Management Discussion and Analysis (Continued)

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK\$60.3 million (31 March 2018: approximately HK\$63.7 million) and had borrowings of approximately HK\$33.0 million (31 March 2018: approximately HK\$26.8 million).

Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans) divided by the total equity as at the end of the reporting period. The increase in gearing ratio from approximately 15.9% as at 31 March 2018 to approximately 19.4% as at 30 September 2018 was mainly due to the increase in bank borrowings.

As at 30 September 2018, the Group's total current assets and current liabilities were approximately HK\$199.1 million (31 March 2018: approximately HK\$203.1 million) and approximately HK\$60.4 million (31 March 2018: approximately HK\$66.2 million) respectively. Current ratio is calculated based on the total current assets divided by the total current liabilities. The Group's current ratio increased to approximately 3.3 times as at 30 September 2018 (31 March 2018: approximately 3.1 times). Such increase was mainly due to the decrease in trade and bills payable during the Period.

PLEDGE OF ASSETS

As at 30 September 2018, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$22.7 million (31 March 2018: approximately HK\$23.1 million) and pledged bank deposits of approximately HK\$8.1 million (31 March 2018: approximately HK\$8.1 million).

CONTINGENT LIABILITIES

Saved as disclosed in note 20 of the condensed consolidated financial statements, the Group provided guarantee of performance bonds in its ordinary course of business. As at 30 September 2018, the Group's contingent liabilities in relation to performance bonds were approximately HK\$3.1 million (31 March 2018: approximately HK\$5.2 million).

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 September 2018 (31 March 2018: Nil).

Management Discussion and Analysis (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Fluctuating cash flows pattern

The Group may incur net cash outflows at the early stage of carrying out works when it is required to pay material costs and/or subcontractors prior to receiving payment from customers. Customers will pay progress payments after works commenced and after such works have been certified by customers. Accordingly, the Group may experience net cash outflows to pay certain material costs and/or subcontractors' fees while the respective progress payments may not be received in the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while the Group has significantly less cash inflows during that period, the Group's cash flow position may be adversely affected.

Inaccurate estimation on the cost and work programme of projects

As contracts from customers are normally awarded through successful tendering and acceptance of quotation offer, the Group needs to estimate the time and costs based on the tender documents or quotation requests provided from customers in order to determine the tender price or quotation. There is no assurance that the actual execution time and costs of the project would not exceed the Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by the Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by customers, delays in obtaining any required permits or approvals, disputes with subcontractors or other parties, accidents, changes in Hong Kong government policies and customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overruns or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

Irregular profit margin

The directors of the Company (the "Directors") believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, the efficiency of implementation of the contractual works and the general market conditions which are beyond the Group's control. As a result, the income flow and the profit margin of each project, which are largely dependent on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, the Group's financial position could be adversely affected.

Management Discussion and Analysis (Continued)

Failure to obtain new projects

The Group provides materials and/or relevant installation services to customers generally on a project-by-project basis. The Group's revenue from projects is non-recurring in nature. It cannot be guaranteed that the Group will continue to secure new projects from customers after the completion of the existing awarded projects.

Currency risk

Certain transactions of the Group are denominated in currencies which are different from the functional currency of the Group, namely, Hong Kong dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its cost of sales and services are generally denominated in Hong Kong dollars, USD and EUR. Payments received by the Group from its customers are mainly denominated in Hong Kong dollars. The Group continues to monitor closely its exposure to currency movement and may take proactive measures where necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had 33 employees (including executive Directors), as compared to a total of 29 employees as at 31 March 2018. The total staff costs incurred by the Group for the Period were approximately HK\$6.9 million (Previous Period: approximately HK\$6.4 million). The increase in staff costs was mainly due to the increase in headcount and salary increment for the Period.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The Group's employees are remunerated according to their job scope, responsibilities, and performance.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Period.

Management Discussion and Analysis (Continued)

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the listing of the shares of the Company on the Stock Exchange on the Listing Date will be utilised in accordance with the proposed applications set out under the section headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and actual usage up to 30 September 2018:

| | Proposed Application HK\$ million | Actual usage up to 30 September 2018 HK\$ million |
|---|--------------------------------------|---|
| — Acquiring a property as a warehouse, workshop and showroom (Note 1) | 29.9 | — |
| — Repayment of bank borrowings | 27.8 | 27.8 |
| — Expanding capacity to undertake more projects | 14.0 | 0.6 |
| — Expanding and strengthening the manpower | 7.4 | 0.7 |
| — Refurbishment of the offices | 5.1 | 3.3 |
| — Upgrading the information technology and project management systems | 2.8 | — |
| — General working capital | 9.4 | 9.4 |
| | 96.4 | 41.8 |

Note 1: The Group had considered certain potential acquisition properties during the Period. In the meanwhile, the Group also monitored the impact of the United States — China trade war on the Hong Kong property market and economy. Due to market expectations of a potential downturn in Hong Kong's property market and economy, the Group will use caution in its continued search for a suitable property with reasonable purchase price in order to put the interests of the Shareholders of the Company in the first priority.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the Shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from provision A.2.1 of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 of the Listing Rules as disclosed below, the Company has adopted the CG Code as the Group’s corporate governance practices. In the opinion of the Directors, the Company has complied with the applicable code provisions under the CG Code since the Listing Date and up to 30 September 2018 except the following:

Pursuant to Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (“**CEO**”) should be separate and should not be performed by the same individual. However, the roles of the Group’s chairman and CEO are both performed by Mr. Lo Wing Cheung (“**Mr. Lo**”). Mr. Lo is currently the chairman of the board of directors of the Company (the “**Board**”) and the CEO, responsible for strategic planning and managing of the Group’s overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group’s development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors (“**INEDs**”). Further, the Audit Committee of the Company (the “**Audit Committee**”), which consists of three INEDs and one non-executive Director, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and INEDs, who have confirmed that they have complied with the Model Code during the Period.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this interim report.

Other Information (Continued)

AUDIT COMMITTEE'S REVIEW

The Company has established the Audit Committee which currently consists of three INEDs and a non-executive Director of the Company with written terms of reference which deal clearly with its authority and duties.

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend to Shareholders of the Company for the Period (Previous Period: Nil).

CHANGE OF DIRECTOR'S BIOGRAPHICAL DETAILS

Mr. Shu Wa Tung Laurence ("**Mr. Shu**"), was appointed as an INED since December 2017. Mr. Shu resigned from the position of chief financial officer of Petro-king Oilfield Services Limited (Stock code: 2178), a company listed on the Main Board of the Stock Exchange, with effect from 31 July 2018. Since 1 August 2018, Mr. Shu has served as the chief financial officer of Top Dynamic International Holdings Limited (Stock code: 2203), a company listed on the Main Board of the Stock Exchange.

Other Information (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "Shares"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

| Name of Director | Capacity/ Nature of interest | Number of Shares held | Percentage of shareholding |
|----------------------------------|---|--------------------------|-------------------------------|
| Mr. Lo | Interest in a controlled corporation (Note) | 588,000,000 | 73.5% |
| Ms. Fung Pik Mei ("Ms. Fung") | Interest in a controlled corporation (Note) | 588,000,000 | 73.5% |

Note: These 588,000,000 Shares are held by Helios Enterprise Holding Limited ("Helios"), a company incorporated in the BVI and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

| Name of Shareholder | Capacity/ Nature of interest | Number of Shares held (L) | Percentage of shareholding |
|---------------------|---------------------------------|------------------------------|-------------------------------|
| Helios | Beneficial owner | 588,000,000 | 73.5% |

Note: The letter "L" denotes long position in the Company's Shares.

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was adopted pursuant to a resolution passed on 19 December 2017. From the date of the adoption of the Share Option Scheme and up to the end of the Period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

By the order of the Board
Lo Wing Cheung
Twintek Investment Holdings Limited
Chairman and Executive Director

Hong Kong, 28 November 2018

Independent Review Report



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF TWINTEK INVESTMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Twintek Investment Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 18 to 40, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended, and other explanatory notes.

The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report (Continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 November 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

| | Notes | Six months ended 30 September | |
|--|-------|----------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 5 | 137,235 | 147,900 |
| Cost of sales and services | | (118,215) | (114,377) |
| Gross profit | | 19,020 | 33,523 |
| Other income | 6 | 1,221 | 366 |
| Selling and distribution expenses | | (3,958) | (4,408) |
| Administrative expenses | | (13,467) | (19,526) |
| Finance costs | 7 | (774) | (1,228) |
| Profit before taxation | | 2,042 | 8,727 |
| Income tax expenses | 8 | (134) | (2,383) |
| Profit and total comprehensive income for the period attributable to the owners of the Company | 9 | 1,908 | 6,344 |
| Earnings per share: Basic and diluted (HK cents) | 11 | 0.24 | 1.06 |

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

| | Notes | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 12 | 26,343 | 26,659 |
| Prepayment and deposits paid for life insurance policies | | 5,354 | 5,250 |
| | | 31,697 | 31,909 |
| Current assets | | | |
| Inventories | | 3,628 | 7,525 |
| Contract assets | 14 | 67,325 | – |
| Amounts due from customers for contract work | 14 | – | 54,500 |
| Trade receivables | 13 | 22,459 | 37,955 |
| Retention monies receivables | 13 | 20,340 | 17,479 |
| Deposits, prepayments and other receivables | | 12,722 | 10,890 |
| Tax recoverable | | 4,309 | 2,987 |
| Pledged bank deposits | | 8,061 | 8,057 |
| Bank balances and cash | | 60,298 | 63,727 |
| | | 199,142 | 203,120 |

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 September 2018

| | Notes | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|---|-------|--|--|
| Current liabilities | | | |
| Trade and bills payables | 15 | 18,938 | 30,915 |
| Contract liabilities | 14 | 3,267 | – |
| Amounts due to customers for contract work | 14 | – | 998 |
| Retention monies payables | | 3,192 | 2,357 |
| Accrual and other payables | | 2,004 | 5,116 |
| Bank borrowings | | 33,032 | 26,820 |
| | | 60,433 | 66,206 |
| Net current assets | | 138,709 | 136,914 |
| Total assets less current liabilities | | 170,406 | 168,823 |
| Non-current liability | | | |
| Deferred tax liability | | 200 | 263 |
| | | 170,206 | 168,560 |
| Capital and reserves | | | |
| Share capital | 16 | 8,000 | 8,000 |
| Reserves | | 162,206 | 160,560 |
| | | 170,206 | 168,560 |

The condensed consolidated financial statements on page 18 to 40 were approved and authorised for issue by the board of directors on 28 November 2018 and were signed on its behalf by:

Lo Wing Cheung
Director

Fung Pik Mei
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 (Note i) | Retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|--|---------------------------------|-------------------|
| At 31 March 2018 (Audited) | 8,000 | 103,940 | 5,024 | 51,596 | 168,560 |
| Change in accounting policies (Note 3) | - | - | - | (262) | (262) |
| At 1 April 2018 (Restated) | 8,000 | 103,940 | 5,024 | 51,334 | 168,298 |
| Profit and total comprehensive income for the period | - | - | - | 1,908 | 1,908 |
| At 30 September 2018 (Unaudited) | 8,000 | 103,940 | 5,024 | 53,242 | 170,206 |
| At 1 April 2017 (Audited) | - | - | 5,024 | 49,268 | 54,292 |
| Profit and total comprehensive income for the period | - | - | - | 6,344 | 6,344 |
| At 30 September 2017 (Unaudited) | - | - | 5,024 | 55,612 | 60,636 |

Note:

- (i) Capital reserve represented the difference between the nominal amount of the share capital and share premium of Fortuna Enterprise Holdings Limited ("Fortuna") and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | (8,245) | 8,470 |
| NET CASH USED IN INVESTING ACTIVITIES | (622) | (586) |
| NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES | 5,438 | (527) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (3,429) | 7,357 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 63,727 | 7,320 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash | 60,298 | 14,677 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2018

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 17 January 2018. Its ultimate and immediate holding company namely Helios Enterprise Holding Limited (“Helios”), is a company incorporated in the British Virgin Islands (the “BVI”) with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei. The address of the registered office of the Company is PO Box 309 Ugland House Grand Cayman KY1-1104, the Cayman Islands and the principal place of business of the Company is at Room 806, 8/F., Eastern Centre, 1065 King’s Road, Quarry Bay, Hong Kong.

The Company is engaged in investment holding and its major operating subsidiaries are mainly engaged in sales of building materials and provision of construction and engineering services.

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”).

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2018:

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and related Amendments |
| Amendments to HKAS 28 | As part of Annual Improvements to HKFRSs 2014–2016 Cycles |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

The adoption of HKFRS 9 and 15 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements (Continued)

3.1 HKFRS 9 Financial instruments

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 April 2018.

3.1.1 Classification and measurements

At the date of initial application of HKFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Trade receivables, retention monies receivables, deposits and other receivables, contract assets and deposits paid for life insurance policies carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade receivable, retention monies receivables, deposits and other receivables and contract assets at amortised cost:

The Group applied the simplified approach to provide for expected credit losses ("ECL") under HKFRS 9 and recognized lifetime expected losses for all trade receivable, retention monies receivables, deposit and other receivables and contract assets. The trade receivable are grouped based on shared credit risk characteristics for measuring ECL.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month ECL in respect of the following financial instruments:

- Other financial assets including deposits paid for life insurance policies, pledged bank deposits, bank balances and cash, for which credit risk has not increased significantly since initial recognition.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 3.3.

Notes to the Condensed Consolidated Financial Statements (Continued)

3.2 HKFRS 15 Revenue from contracts with customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Details are described below.

As required for the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. Enhanced disclosures are set out in note 5 to the condensed consolidated financial statements.

The Group is principally engaged in sales of building materials and provision of construction and engineering services. The building materials and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

3.2.1 *Sale of goods*

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS has no impact on the timing of revenue recognition in this regard.

3.2.2 *Provision of services*

The Group's construction contracts segment provides construction and engineering services. The Group concluded that revenue from construction and engineering services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy, because the Group creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group was involved in a construction contract that was previously accounted for under HKAS 11 and not yet completed at 1 April 2018. The Group concluded that such contract will continue to be recognised over time using input method in measuring progress. Upon initial application of HKFRS 15, amounts due from/to customers for contract work of approximately HK\$54,500,000 and HK\$998,000 were reclassified to contract assets and contract liabilities at 1 April 2018 respectively.

Notes to the Condensed Consolidated Financial Statements (Continued)

3.3 Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated of financial position on initial application of HKFRS 9 and HKFRS 15:

| | At 31 March 2018 (Audited) HK\$'000 | Effect from application of HKFRS 9 HK\$'000 | Effect from application of HKFRS 15 HK\$'000 | At 1 April 2018 (Restated) HK\$'000 |
|------------------------------|--|--|---|--|
| Contract assets | – | – | 54,500 | 54,500 |
| Trade receivables | 37,955 | (134) | – | 37,821 |
| Retention monies receivables | 17,479 | (128) | – | 17,351 |
| Amounts due from customers | | | | |
| for contract work | 54,500 | – | (54,500) | – |
| Contract liabilities | – | – | 4,463 | 4,463 |
| Accrual and other payables | 5,116 | – | (3,465) | 1,651 |
| Amounts due to customers | | | | |
| for contract work | 998 | – | (998) | – |
| Retained earnings | 51,596 | (262) | – | 51,334 |

The application of HKFRS 9 and HKFRS 15 has no impact to basic and diluted earnings per share.

Except as described above, the application of other amendments to HKFRSs in the current interim period has no material impact to the condensed consolidated financial statement as at 30 September 2018.

4. CHANGE IN ACCOUNTING POLICIES

4.1 HKFRS 9 Financial instruments

4.1.1 Classification and measurement

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

Financial assets at amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)", together with foreign exchange gains and losses.

Notes to the Condensed Consolidated Financial Statements (Continued)

4.1.2 *Impairment of financial assets at amortised cost*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, retention monies receivables, deposits and other receivables, contract assets and deposits paid for life insurance policies, pledged bank deposits and bank balances and cash carried at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, retention monies receivables, deposits and other receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments including deposits paid for life insurance policies, pledged bank deposits and bank balances and cash, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, retention monies receivables, deposits and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Condensed Consolidated Financial Statements (Continued)

4.2 HKFRS 15 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group applies input method in measuring the progress towards complete satisfaction of the relevant performance obligation and recognises revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Notes to the Condensed Consolidated Financial Statements (Continued)

4.2.1 Significant financing component

For contracts where the period between payment and transfer of the associated goods or services is one year or less, the Group applies the practical expedient not to adjust the transaction price for any significant financing component.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and construction contracts. The following is an analysis of the Group's revenue for the period:

| | Six months ended 30 September | |
|-------------------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Sales of building materials | 21,502 | 27,627 |
| Revenue from construction contracts | 115,733 | 120,273 |
| | 137,235 | 147,900 |

Information reported to the Directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Directors of the Company have chosen to organise the Group around differences in nature of revenue. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Sales of building materials — trading of goods on building materials; and
- Construction contracts — provision of construction and engineering services.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Six months ended 30 September 2018 (Unaudited)

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Total HK\$'000 |
|--------------------------------------|---|---------------------------------------|-------------------|
| Geographical market | | | |
| Hong Kong | 21,502 | 115,733 | 137,235 |
| Timing of revenue recognition | | | |
| A point in time | 21,502 | - | 21,502 |
| Over time | - | 115,733 | 115,733 |
| Total | 21,502 | 115,733 | 137,235 |

Notes to the Condensed Consolidated Financial Statements (Continued)

Six months ended 30 September 2017 (Unaudited) (note)

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Total HK\$'000 |
|--------------------------------------|---|---------------------------------------|-------------------|
| Geographical market | | | |
| Hong Kong | 27,627 | 120,273 | 147,900 |
| Timing of revenue recognition | | | |
| A point in time | 27,627 | – | 27,627 |
| Over time | – | 120,273 | 120,273 |
| Total | 27,627 | 120,273 | 147,900 |

Note: The Group initially applied HKFRS 15 in the current period and chosen not to restate comparative information, therefore, this financial information was prepared using the previous accounting standards.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 September 2018 (Unaudited)

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Total HK\$'000 |
|--------------------------------|---|---------------------------------------|-------------------|
| Segment revenue | | | |
| External sales | 21,502 | 115,733 | 137,235 |
| Segment profit | 4,653 | 14,567 | 19,220 |
| Unallocated income | | | 1,021 |
| Unallocated corporate expenses | | | (17,425) |
| Unallocated finance costs | | | (774) |
| Profit before taxation | | | 2,042 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017 (Unaudited)

| | Sales of building materials HK\$'000 | Construction contracts HK\$'000 | Total HK\$'000 |
|--------------------------------|---|---------------------------------------|-------------------|
| Segment revenue | | | |
| External sales | 27,627 | 120,273 | 147,900 |
| Segment profit | 11,332 | 21,909 | 33,241 |
| Unallocated income | | | 366 |
| Unallocated corporate expenses | | | (23,652) |
| Unallocated finance costs | | | (1,228) |
| Profit before taxation | | | 8,727 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, Directors' emoluments, loss on written-off of property, plant and equipment, certain other income, finance costs and non-recurring listing expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

| | As at 30 September 2017 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|------------------------------|--|--|
| Sales of building materials | 7,944 | 7,207 |
| Construction contracts | 102,180 | 102,727 |
| Total segment assets | 110,124 | 109,934 |
| Unallocated corporate assets | 120,715 | 125,095 |
| Total assets | 230,839 | 235,029 |

Notes to the Condensed Consolidated Financial Statements (Continued)

Segment liabilities

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|-----------------------------------|--|--|
| Sales of building materials | 3,832 | 9,441 |
| Construction contracts | 22,698 | 28,325 |
| Total segment liabilities | 26,530 | 37,766 |
| Unallocated corporate liabilities | 34,103 | 28,703 |
| Total liabilities | 60,633 | 66,469 |

For the purposes of monitoring segment performance and allocating resources between segments:

- only assets of contract assets, amounts due from customers for contract work, trade receivables and retention monies receivables are allocated to operating segments; and
- only liabilities of contract liabilities, amounts due to customers for contract work and trade payables, bills payables, retention monies payables and certain accrual and other payables are allocated to operating segments.

6. OTHER INCOME

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Interest income from deposits paid for life insurance policies | 108 | 104 |
| Mortgage loan interest reimbursed from a related company | - | 73 |
| Reversal of impairment loss on retention monies receivable | 200 | - |
| Net foreign exchange gain | 897 | - |
| Sample income | - | 117 |
| Rental income (Note) | - | 68 |
| Others | 16 | 4 |
| | 1,221 | 366 |

Note: The amount represented the remaining rental income received from the former tenants upon the acquisition of the Group's office premises.

Notes to the Condensed Consolidated Financial Statements (Continued)

7. FINANCE COSTS

| | Six months ended 30 September | |
|-----------------------------|-------------------------------|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 774 | 1,228 |

8. INCOME TAX EXPENSES

| | Six months ended 30 September | |
|-----------------------|-------------------------------|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | 197 | 2,383 |
| Deferred taxation | (63) | – |
| | 134 | 2,383 |

9. PROFIT FOR THE PERIOD

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit for the period has been arrived at after charging/(crediting): | | |
| Depreciation of property, plant and equipment | 870 | 193 |
| Loss on written-off of property, plant and equipment | 68 | – |
| Professional expenses incurred in connection with the Company's listing | – | 5,707 |
| Net foreign exchange (gain) loss | (897) | 1,575 |
| Minimum lease payments paid under operating lease in respect of related premises | 695 | 726 |
| Amortisation of prepayment paid for life insurance policies | 3 | 4 |

10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2018, nor has any dividend been proposed by the Board of Directors since the end of the interim period (six months ended 30 September 2017: nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |

Earnings

| | | |
|--|-------|-------|
| Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to the owners of the Company | 1,908 | 6,344 |
|--|-------|-------|

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |

Number of shares

| | | |
|--|---------|---------|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares) | 800,000 | 600,000 |
|--|---------|---------|

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2017 have been retrospectively adjusted for the effects of the capitalisation issue of the ordinary shares of the Company as a result of Reorganisation as disclosed in note 16.

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 September 2018 and 2017.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group has spent approximately HK\$622,000 (six months ended 30 September 2017: approximately HK\$22,586,000) on acquisition of leasehold improvement and furniture, fixture and office equipment.

During the six months ended 30 September 2018, the Group has written-off certain leasehold improvement and furniture and office equipment with an aggregate carrying value of approximately HK\$68,000 (six months ended 30 September 2017: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

13. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES

The following is an analysis of trade receivables and retention monies receivables at the end of each reporting period:

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|---|--|--|
| Trade receivables | 23,915 | 39,277 |
| Less: impairment loss on trade receivables | (1,456) | (1,322) |
| | 22,459 | 37,955 |
| Retention monies receivables | 20,876 | 18,087 |
| Less: impairment loss on retention monies receivables | (536) | (608) |
| | 20,340 | 17,479 |
| | 42,799 | 55,434 |

The average credit period granted to trade customers other than retention monies receivables ranged from 30 to 60 days. The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion, the expiry of the maintenance period or a pre-agreed time period. Retention monies receivables are included in current assets as the Group expects to realise these within its normal operating cycle. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables net of impairment loss of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period.

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 11,861 | 30,679 |
| 31 to 60 days | 2,867 | 2,474 |
| 61 to 90 days | 5,862 | 2,996 |
| Over 90 days | 1,869 | 1,806 |
| | 22,459 | 37,955 |

Notes to the Condensed Consolidated Financial Statements (Continued)

The movement in the allowance for impairment of trade receivables and retention monies receivables are set out below:

| | Trade receivables HK\$'000 | Retention monies receivables HK\$'000 |
|---|----------------------------------|--|
| Balance as at 31 March 2018 (Audited) | 1,322 | 608 |
| Change in accounting policies | 134 | 128 |
| Balance as at 1 April 2018 (Restated) | 1,456 | 736 |
| Reversal of impairment loss | – | (200) |
| Balance as at 30 September 2018 (Unaudited) | 1,456 | 536 |

14. CONTRACT ASSETS (LIABILITIES)/AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

At 30 September 2018, contract assets comprised construction and engineering services performed but not yet billed to customers of approximately HK\$67,325,000. An amount of approximately HK\$67,325,000 has been classified as a current asset as the Group expects to recover that amount within the next twelve months from the end of the reporting period.

At 30 September 2018, contract liabilities comprised deposits and consideration received from customer in respect of construction and engineering services not yet rendered at the reporting date of approximately HK\$3,267,000.

Upon initial application of HKFRS 15, amounts due from/to customers for contract work of approximately HK\$54,500,000 and HK\$998,000 were reclassified to contract assets and contract liabilities at 1 April 2018 respectively. Receipt in advance of approximately HK\$3,465,000 was also reclassified to contract liabilities at 1 April 2018. Details are disclosed in note 3.3.

15. TRADE AND BILLS PAYABLES

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|----------------|--|--|
| Trade payables | 15,196 | 23,673 |
| Bills payables | 3,742 | 7,242 |
| | 18,938 | 30,915 |

Notes to the Condensed Consolidated Financial Statements (Continued)

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 11,868 | 20,148 |
| 31 to 90 days | 5,357 | 9,528 |
| 91 to 180 days | 1,706 | 1,232 |
| Over 180 days | 7 | 7 |
| | 18,938 | 30,915 |

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

16. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|--|---------------------|------------------------------|
| Ordinary share of HK\$0.01 each | | |
| <i>Authorised</i> | | |
| At the date of incorporation (Note a) | 38,000,000 | 380 |
| Increased on 19 December 2017 (Note b) | 1,962,000,000 | 19,620 |
| At 31 March and 30 September 2018 | 2,000,000,000 | 20,000 |
| <i>Issued and fully paid:</i> | | |
| At the date of incorporation (Note c) | 10,000 | – |
| Arising from a group reorganisation (Note c) | – | – |
| Capitalisation issue of shares (Note d) | 599,990,000 | 6,000 |
| Issue of ordinary shares upon listing of the Company (Note e) | 200,000,000 | 2,000 |
| At 31 March and 30 September 2018 | 800,000,000 | 8,000 |

Notes to the Condensed Consolidated Financial Statements (Continued)

- (a) On 8 February 2017, the Company was incorporated in the Cayman Islands with an authorised capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. On the same date, one share representing the entire issued share capital of the Company, was issued and allotted to the initial subscriber, which was subsequently transferred to Helios, and Helios became the sole Shareholder of the Company.
- (b) Pursuant to a special written resolution passed by the Shareholders of the Company on 19 December 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$20,000,000 divided into 2,000,000,000 shares by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each.
- (c) On 14 March 2017 and 8 March 2017, Fortuna completed the acquisition of entire equity interests of Kwan Tai Engineering Co., Limited (“Kwan Tai HK”) and Companhia de Engenharia Kwan Tai, Sociedade Unipessoal Limitada (“Kwan Tai Macau”) from the Controlling Shareholders at a consideration of HK\$44,572,118 by allotment and issuance of 9,999 new ordinary shares of the Company at par value of HK\$0.01 and cash consideration of MOP25,000 (equivalent to approximately HK\$24,000), respectively. The consideration was determined and mutually agreed by the parties. Upon the completion of the acquisition, Kwan Tai HK and Kwan Tai Macau became direct wholly-owned subsidiaries of Fortuna and indirect wholly-owned subsidiaries of the Company.
- (d) Pursuant to a special written resolution passed by the Shareholders of the Company on 19 December 2017, conditional upon the crediting of the share premium account of the Company as a result of issue of shares pursuant to share offer set out in the section headed “Share Capital” in the Prospectus, the Directors of the Company had authorised to allot and issue a total of 599,990,000 shares, by the way of capitalisation of the sum of HK\$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company.
- (e) On 17 January 2018, the Company issued a total of 200,000,000 ordinary shares with a par value of HK\$0.01 each at a price of HK\$0.65 per share as a result of the completion of the placing. Of the total gross proceeds amounting to HK\$130,000,000, HK\$2,000,000 representing the par value credit to the Company’s share capital and HK\$128,000,000, before the share issue expenses, credit to the share premium account. The Company’s total number of issued shares was increased to 800,000,000 shares upon completion of the share offer.
- (f) All shares issued during the period ended 30 September 2018 and year ended 31 March 2018 rank pari passu with all the existing shares in all aspects.

Notes to the Condensed Consolidated Financial Statements (Continued)

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to special written resolution of the Company passed on 19 December 2017 for the primary purpose of providing incentives to Directors and eligible employees, and will expire on 18 December 2027. Under the Scheme, the board of Directors of the Company may grant options to eligible employees, including Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's Shareholders. Options granted to substantial Shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's Shareholders.

Options granted must be taken up on the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the board of Directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Company's shares on the date of grant; and (iii) the average closing price of the shares for the five business days immediately preceding the date of grant.

No share options have been granted for the six months ended 30 September 2018 and 2017.

18. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments on office, car parking space and the Company's Director's quarters for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | As at 30 September 2018 HK\$'000 (Unaudited) | As at 31 March 2018 HK\$'000 (Audited) |
|--|--|--|
| Within one year | 1,026 | 1,495 |
| In the second to fifth years inclusive | 532 | 971 |
| | 1,558 | 2,466 |

Operating lease payments represent rentals payable by the Group for certain of its rented premises for office, car parking space and the Company's Director's quarters. Leases are negotiated for terms ranging from one to two years (31 March 2018: one to two years) with fixed rentals.

Notes to the Condensed Consolidated Financial Statements (Continued)

19. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group entered into transactions with related party as follows:

| Related party | Nature of transaction | Six months ended 30 September | |
|----------------------|--|---------------------------------|---------------------------------|
| | | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Sun Warm (note i) | Interest reimbursed from (note ii) Rental expenses (note iii) | – 468 | (73) 384 |

Notes:

- (i) Sun Warm Holding Company Limited ("Sun Warm") is directly owned by Mr. Lo Wing Cheung and Ms. Fung Pik Mei, the beneficial owners and Directors of the Company.
- (ii) Mortgage loan interest expenses were reimbursed from Sun Warm on a full indemnity basis.
- (iii) During the six months ended 30 September 2018, Sun Warm leased a property to the Group for a two-year term commencing from 1 April 2018 and ending on 31 March 2020 (30 September 2017: From 1 April 2016 to 31 March 2018).

(b) Compensation of key management personnel

The remuneration of Directors of the Company and other members of key management personnel during the period was as follows:

| | Six months ended 30 September | |
|--------------------------|---------------------------------|---------------------------------|
| | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Short-term benefits | 2,979 | 2,618 |
| Post-employment benefits | 54 | 52 |
| | 3,033 | 2,670 |

The remuneration of Directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

20. CONTINGENT LIABILITIES

At 30 September 2018, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury.

In the opinion of the Directors of the Company, the litigation and potential claim are not expected to have a material impact on the condensed consolidated financial statements. Accordingly, no provision has been made to the condensed consolidated financial statements.