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Twintek Investment Holdings Limited

乙德投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6182)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS	For the year ended 31 March	
	2020	2019
Revenue	HK\$157.0 million	HK\$230.1 million
Gross profit	HK\$15.8 million	HK\$32.8 million
Net (loss)/profit after taxation	(HK\$23.8 million)	HK\$0.8 million
Basic (loss)/earnings per share	(HK cents 2.98)	HK cents 0.10

The board (the “**Board**”) of directors (the “**Directors**”) of Twintek Investment Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020, together with comparative figures of the corresponding period in 2019.

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

	<i>Notes</i>	For the year ended 31 March	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	157,046	230,066
Cost of sales and services		<u>(141,254)</u>	<u>(197,269)</u>
Gross profit		15,792	32,797
Other income	4	1,947	4,975
Selling and distribution expenses		(8,717)	(6,350)
Administrative expenses		(31,014)	(28,795)
Finance costs		<u>(1,678)</u>	<u>(1,316)</u>
(Loss)/profit before taxation		(23,670)	1,311
Income tax expenses	5	<u>(150)</u>	<u>(542)</u>
(Loss)/profit and total comprehensive (expense)/ income for the year attributable to the owners of the Company	6	<u><u>(23,820)</u></u>	<u><u>769</u></u>
(Loss)/earnings per share:			
Basic and diluted (<i>HK cents</i>)	8	<u><u>(2.98)</u></u>	<u><u>0.10</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March	
		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		24,028	25,575
Right-of-use asset		1,000	—
Prepayment and deposits paid for life insurance policies		5,710	5,459
Deposits, prepayments and other receivables		111	—
		30,849	31,034
Current assets			
Inventories		6,041	3,432
Contract assets		77,405	82,873
Trade receivables	9	14,356	27,522
Deposits, prepayments and other receivables		14,833	14,626
Tax recoverable		2,751	2,394
Pledged bank deposits		8,078	8,069
Bank balances and cash		59,328	56,483
		182,792	195,399
Current liabilities			
Trade and bills payables	10	11,570	11,623
Contract liabilities		8,426	1,883
Retention monies payables		3,774	3,166
Accrual and other payables		2,056	1,776
Bank borrowings		41,396	38,861
Lease liability		424	—
		67,646	57,309
Net current assets		115,146	138,090
Total assets less current liabilities		145,995	169,124
Non-current liabilities			
Deferred tax liability		168	57
Lease liability		580	—
		748	57
		145,247	169,067
Capital and reserves			
Share capital	11	8,000	8,000
Reserves		137,247	161,067
		145,247	169,067

Notes:

1. GENERAL INFORMATION

Twintek Investment Holdings Limited (“**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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is also Helios Enterprise Holding Limited (“**Helios**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei (“**Controlling shareholders**”). The addresses 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 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 consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and interpretations (“**Int(s)**”), issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard (“ HKAS ”) 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements are set out below. The application of other new and amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's consolidated financial statements are described below:

The lease entered by the Group as lessee as at 1 April 2019 was lease with remaining lease term less than 12 months. Therefore, there is no impact on the opening balance of equity and all financial line items.

The Group as lessee

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liability at the date of initial application on 1 April 2019:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	1,010
Less: Short-term leases with remaining lease term ending on or before 31 March 2020	<u>(1,010)</u>
Lease liability recognised as at 1 April 2019	<u>—</u>

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

New and amendments to HKFRSs and HKASs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs, HKASs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 16	Covid-19 Related Rent Concessions ⁵

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that, the application of the above new and amendments to HKFRSs and HKASs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and construction contracts. An analysis of the Group's revenue for the year is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Disaggregation by major products or services lines		
Sales of building materials		
• Gypsum block	8,825	25,239
• Wooden flooring	5,163	6,941
• Others	1,398	299
Revenue from construction contracts		
• Gypsum block	10,453	32,003
• Wooden flooring	109,174	144,310
• Others	22,033	21,274
	<u>157,046</u>	<u>230,066</u>

Disaggregation of the Group's revenue by timing of recognition

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At a point in time	15,386	32,479
Over time	<u>141,660</u>	<u>197,587</u>
Total revenue from contract with customers	<u><u>157,046</u></u>	<u><u>230,066</u></u>

Segment revenues and results

Information reported to the executive 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 building materials; and
- Construction contracts — provision of construction and engineering services.

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

For the year ended 31 March 2020

	Sales of building materials <i>HK\$'000</i>	Construction contracts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>15,386</u>	<u>141,660</u>	<u>157,046</u>
Segment profit	<u>5,692</u>	<u>8,790</u>	14,482
Unallocated income			1,857
Unallocated corporate expenses			(38,331)
Unallocated finance costs			<u>(1,678)</u>
Loss before taxation			<u><u>(23,670)</u></u>

For the year ended 31 March 2019

	Sales of building materials <i>HK\$'000</i>	Construction contracts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>32,479</u>	<u>197,587</u>	<u>230,066</u>
Segment profit	<u>7,920</u>	<u>23,961</u>	31,881
Unallocated income			4,725
Unallocated corporate expenses			(33,979)
Unallocated finance costs			<u>(1,316)</u>
Profit before taxation			<u>1,311</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, certain other income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ^{1, 2}	N/A*	31,345
Customer B ¹	21,164	N/A*
Customer C ^{1, 2}	31,130	29,127
Customer D ¹	N/A*	23,758
Customer E ^{1, 2}	<u>17,513</u>	<u>N/A*</u>

¹ Revenue from construction contracts segment

² Revenue from sales of building materials segment

* The corresponding revenue did not contribute over 10% of the total revenue of the Group

4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank Interest income	249	12
Interest income from deposits paid for life insurance policies	258	215
Net foreign exchange gain	206	1,125
Royalty Income	805	3,348
Reversal of impairment loss on trade receivables	90	50
Reversal of impairment loss on contract assets	—	200
Government grant (<i>note</i>)	50	—
Others	289	25
	<u>1,947</u>	<u>4,975</u>

Note: Balances represents “Construction Industry Anti-epidemic Fund” received from Construction Industry Council. The government grant is one off with no specific condition attached.

5. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	—	434
Under-provision in prior years	39	314
Deferred taxation	111	(206)
	<u>150</u>	<u>542</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2019, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of the other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 March 2020, entities of the Group in Hong Kong do not qualify for the two-tiered profits tax rates regime and be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for the year ended 31 March 2020.

6. (LOSS)/PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	4,922	4,817
Other staff costs	11,788	10,823
Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments)	<u>420</u>	<u>405</u>
Total staff costs	<u>17,130</u>	<u>16,045</u>
Auditor's remuneration	1,033	1,038
Depreciation of property, plant and equipment	1,708	1,714
Depreciation of right-of-use asset	250	—
Loss on disposal of property, plant and equipment	—	68
Impairment loss on trade receivables	621	116
Impairment loss on contract assets	779	1,050
Written off on prepayment	815	—
Amortisation of prepayment paid for life insurance policies	7	6
Minimum lease payments paid under operating lease in respect of rented premises (excluding directors' quarter) under HKAS 17	—	1,382
Expense relating to short-term lease under HKFRS 16	1,010	—
Amount of inventories recognised as an expense	<u>9,311</u>	<u>29,405</u>

7. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

8. (LOSS)/EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/ earnings per share, representing (loss)/profit for the year attributable to owners of the Company	<u>(23,820)</u>	<u>769</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share ('000 shares)	<u>800,000</u>	<u>800,000</u>

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2020 and 2019.

9. TRADE RECEIVABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	16,345	29,044
Less: impairment loss on trade receivables	(1,989)	(1,522)
	14,356	27,522

The average credit period granted to trade customers ranged from 30 to 60 days.

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 the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	846	2,856
31 to 60 days	3,212	10,487
61 to 90 days	3,902	4,142
Over 90 days	6,396	10,037
	14,356	27,522

10. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	9,199	8,160
Bills payables	2,371	3,463
	11,570	11,623

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	6,273	5,844
31 to 90 days	4,291	4,532
91 to 180 days	811	878
Over 180 days	195	369
	<u>11,570</u>	<u>11,623</u>

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.

11. SHARE CAPITAL

The share capital as at 31 March 2020 and 2019 represented the share capital of the Company.

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Market Prospect

The Group is a building materials contractor providing 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.

During the year ended 31 March 2020, the number of properties completed in 2019 has declined as compared to that in previous years, especially for the private residential properties. In addition, uncertainty on government policy like the intended introduction of Property Vacant Tax on first-hand private residential properties and the decelerated progress by property developers attributable to macro economic downturn have led to decrease of revenue for the Group. Moreover, with the outbreak of the COVID-19 pandemic in January 2020 leading to temporary work suspension in the PRC, the supply and delivery of construction materials, especially timber flooring, have been deferred by at least 30 days. Certain construction sites have also been temporarily suspended, which further affected the financial result of the Group. Furthermore, the Group observed an increased number of competitors bidding for new projects with aggressive pricing strategies. As a result, the revenue generated from both timber flooring products and gypsum block products decreased. Owing to the above reasons, the revenue of the Group has decreased by approximately HK\$73.1 million to approximately HK\$157.0 million for the year ended 31 March 2020, and recorded a consolidated net loss of approximately HK\$23.8 million for the year ended 31 March 2020, compared to the consolidated net profit of approximately HK\$0.8 million for the year ended 31 March 2019.

In addition, based on the latest work programme and available information, one of the Group's major supply and installation projects will fall behind schedule due to a change in main contractors in 2018. A deed of transfer and assignment (the "Deed") relating to the Group's engagement in this project 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 this project, in particular the scope of work and contract sum, shall remain the same as those of the original contract. The project has resumed in early April 2020 and is expected to be completed before the end of 2020.

To cope with the keen competition and to maintain its market share, the Group introduced a new type of gypsum block product with qualities fitting for building material specifications of hospitals in Hong Kong. With the introduction of this product, the Group was prepared to take on the potential business opportunities brought by the 10 Year Hospital Development Plan as detailed in "The Chief Executive's 2016 Policy Address". Under the 10 Year Hospital Development Plan, the Government of Hong Kong Special Administrative Region set up a special fund of HK\$200 billion for its implementation over the following ten years, aiming to 1) construct one New Acute Hospital at Kai Tak

Development Area; 2) redevelop/expand the existing 11 hospitals; 3) construct three new Community Health Centres; and 4) construct one new Supporting Services Centre. The Legislative Council has approved the budget of HK\$10 billion on the redevelopment plan of Kwai Chung Hospital, Prince of Wales Hospital, North District Hospital and Princess Margaret Hospital, Lai King Building in November 2019, scheduled to complete between 2021 and 2028. During the year ended 31 March 2020, the Group has been awarded a project under the 10 Year Hospital Development Plan with contract sum of approximately HK\$109.3 million.

During the year, the Chief Executive announced in Chief Executive 2019's Policy Address that the cap on the value of the properties eligible for a mortgage loan of maximum cover of 90% loan-to-value ratio would be raised from HK\$4 million to HK\$8 million for first-time home buyers under the Mortgage Insurance Programme of the HKMC Insurance Limited. In addition, the Chief Executive did not introduce the Vacant Property Tax on first-hand private residential properties as expected. On the macro side, Hong Kong Monetary Authority has reduced its base rate by 25 basis points to 2 percent effective in late October 2019, aiming to lift the burden of companies and stimulate private consumption. With the above favorable effects and supportive governmental policies, the Group expects that property developers would in general speed up construction work progress. It is also expected that the supply of first-hand private residential properties would increase significantly in 2020 by over 50% as compared to 2019 and thus, the Group remains optimistic to its future.

Moreover, the Group is expanding with new products including the interior wall panel to provide a quick and budgeted solution to the Group's customers. During the year, the Group introduced the floor heating system to the market, targeting customers seeking higher standard of living as well as the healthcare sector, specifically, the "silver hair market", being the market sector of elderly people.

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe that the Group will benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. In the long run, the Group will continue to use all endeavors to manage upcoming challenges in the fast-changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

Financial Review

Revenue

The Group's revenue was generated from two segments: (i) supply and installation projects; and (ii) sales of building material projects. The Group's total revenue decreased by approximately HK\$73.1 million, or approximately 31.8%, from approximately HK\$230.1 million for the year ended 31 March 2019 to approximately HK\$157.0 million for the year ended 31 March 2020. Such decrease was mainly attributable to the fall in number of private residential properties completed during the year as a result of the intended

introduction of Property Vacant Tax on first-hand private residential properties, and a rise in competition from competitors with aggressive pricing strategies, which affected the Group's pricing strategy and in turn resulted in a decline in the average contract value.

The following table sets forth the details of the Group's revenue sources:

	For the year ended 31 March			
	2020		2019	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Supply and installation	141.6	90.2	197.6	85.9
Sales of building materials	15.4	9.8	32.5	14.1
Total	157.0	100.0	230.1	100.0

Supply and installation projects

The Group's revenue generated from supply and installation projects decreased by approximately HK\$56.0 million, or approximately 28.3%, from approximately HK\$197.6 million for the year ended 31 March 2019 to approximately HK\$141.6 million for the year ended 31 March 2020. Such decrease was mainly due to a general decline in average contract value for the projects awarded as a result of keen competition from market players and their aggressive pricing strategies, and the delay in progress of certain projects for the year ended 31 March 2020. Moreover, number of private residential properties completed has decreased for the year ended 31 March 2020 as abovementioned, which further decreases the revenue generated from supply and installation projects.

Sales of building materials projects

The Group's revenue generated from sales of building materials projects decreased by approximately HK\$17.1 million, or approximately 52.6%, from approximately HK\$32.5 million for the year ended 31 March 2019 to approximately HK\$15.4 million for the year ended 31 March 2020. Due to the keen competition and aggressive pricing from the Group's competitors, revenue recorded from sales of gypsum block products dropped significantly from approximately HK\$25.2 million for the year ended 31 March 2019 to approximately HK\$8.8 million for the year ended 31 March 2020, representing a decrease of approximately 65.1%.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$141.3 million for the year ended 31 March 2020, representing a decrease of approximately 28.4% (2019: approximately HK\$197.3 million). Cost of sales and services mainly comprised material

costs and subcontracting costs, which together accounted for approximately 98.7% (2019: approximately 98.9%) of the Group's total cost of sales and services for the year ended 31 March 2020.

The Group's material costs mainly comprises timber flooring materials and gypsum block materials. The Group recorded a decrease in material costs under cost of sales and services by approximately 34.1% for the year ended 31 March 2020, which was generally in line with the decrease in revenue for the year ended 31 March 2020. The decrease in material costs for the year ended 31 March 2020 was mainly derived from gypsum block materials, which has decreased by approximately 68.5% and in line with the decrease in revenue generated from supply of gypsum block materials projects for the year ended 31 March 2020.

The Group recorded a decrease in subcontracting costs under cost of sales and services by approximately 19.1% for the year ended 31 March 2020. As additional costs were incurred towards completion of certain supply and installation projects, decrease in subcontracting costs was less than the decrease in revenue generated from supply and installation projects for the year ended 31 March 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$17.0 million, or approximately 51.8%, from approximately HK\$32.8 million for the year ended 31 March 2019 to approximately HK\$15.8 million for the year ended 31 March 2020, and the Group's gross profit margin decreased from approximately 14.3% for the year ended 31 March 2019 to approximately 10.1% for the year ended 31 March 2020.

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

In general, decrease in gross profit and gross profit margin was mainly due to increased competition from competitors with aggressive pricing strategies which affected the Group's pricing strategy and in turn resulted in a decline in the average contract sum and the decrease in gross profit and gross profit margin of the Group. Additional costs incurred towards completion of certain construction projects was another contributing factor leading to the decrease in gross profit and gross profit margin.

Other than the above 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 material projects is higher than that of the supply and installation projects. Given that the proportion of revenue contribution from supply and installation projects increased from approximately 85.9% to 90.2% of the Group's total revenue for the year ended 31 March 2020, the Group's overall gross profit margin decreased accordingly.

Other Income

With the decrease in net exchange difference of approximately HK\$0.9 million and decrease in royalty income of approximately HK\$2.5 million from one of the Group's branded timber products for a timber flooring project, the Group's other income decreased significantly by approximately HK\$3.1 million, or approximately 62.0%, from approximately HK\$5.0 million for the year ended 31 March 2019 to approximately HK\$1.9 million for the year ended 31 March 2020.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised business development expenses, transportation expenses and storage expenses. The total selling and distribution expenses increased by approximately HK\$2.3 million, or approximately 35.9%, from approximately HK\$6.4 million for the year ended 31 March 2019 to approximately HK\$8.7 million for the year ended 31 March 2020, mainly being an increase in business development expenses incurred to explore potential business opportunities and maintain business relationships.

Administrative Expenses

The Group's administrative expenses slightly increased by approximately HK\$2.2 million, or approximately 7.6%, from approximately HK\$28.8 million for the year ended 31 March 2019 to approximately HK\$31.0 million for the year ended 31 March 2020. Staff cost has increased by approximately HK\$1.1 million, as the average number of staff and average monthly salary has been increased during the year ended 31 March 2020. In addition, impairment and written off on assets has increased by approximately HK\$1.0 million.

Finance Costs

The Group's finance costs increased by approximately HK\$0.4 million, or approximately 30.8%, from approximately HK\$1.3 million for the year ended 31 March 2019 to approximately HK\$1.7 million for the year ended 31 March 2020. Despite the effective interest rate decreased as Hong Kong Monetary Authority reduced its base rate by 25 basis points to 2 percent in late October 2019, average bank borrowings increased and hence the finance costs for the year ended 31 March 2020 also increased.

Income Tax Expenses and Effective Tax Rate

The Group's income tax expenses decreased by approximately HK\$0.3 million, or approximately 60.0%, from approximately HK\$0.5 million for the year ended 31 March 2019 to approximately HK\$0.2 million for the year ended 31 March 2020. Such decrease was attributed to the turnaround effect from profits to loss for the year ended 31 March 2020.

The Group's effective tax rates for the years ended 31 March 2020 and 2019 were approximately negative 0.6% and 41.3% respectively.

Net (Loss)/Profit and Net Profit Margin

The Group's net profit decreased by approximately HK\$24.6 million, from net profit of approximately HK\$0.8 million for the year ended 31 March 2019 to net loss of approximately HK\$23.8 million for the year ended 31 March 2020. The decrease in net profit was mainly due to decreases in revenue and gross profit as mentioned above.

The Group's net profit margins were approximately negative 15.2% and 0.3% for the years ended 31 March 2020 and 2019 respectively, and the decrease was mainly due to reasons illustrated above.

Liquidity and Financial Resources Review

The Group had normally funded its liquidity and capital requirements primarily through bank borrowings and net cash generated from operating activities.

Total equity and net current assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 31 March 2020 was approximately HK\$145.2 million (2019: approximately HK\$169.1 million).

As at 31 March 2020, the Group's net current assets were approximately HK\$115.1 million (2019: approximately HK\$138.1 million).

Cash and cash equivalents

As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$59.3 million (2019: approximately HK\$56.5 million).

Bank borrowings

As at 31 March 2020, the Group had bank borrowings of approximately HK\$41.4 million (2019: approximately HK\$38.9 million), and all of the Group's bank borrowings were at floating interest rates (2019: HK\$38.9 million).

Key financial ratios

	2020	2019
Gearing ratio	29.2%	23.0%
Current ratio	2.7	3.4

Gearing ratio: Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans, and lease liabilities) divided by the total equity as at the end of the reporting period.

Current ratio: Current ratio is calculated based on the total current assets divided by the total current liabilities.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations, borrowings and the net proceeds received by the Company through the listing of its shares on the Main Board of the Stock Exchange in January 2018.

Pledge of Assets

As at 31 March 2020, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$21.6 million (2019: approximately HK\$22.4 million) and pledged bank deposits of approximately HK\$8.1 million (2019: approximately HK\$8.1 million).

Capital Expenditure

During the year ended 31 March 2020, the Group acquired items of property, plant and equipment of approximately HK\$0.2 million (2019: approximately HK\$0.7 million).

Contingent Liabilities

As at 31 March 2020, the Group was involved in a litigation and potential claim against the Group in relation to work-related injury. In the opinion of the Directors, the litigation and potential claim are not expected to have a material impact on the consolidated financial statements, as insurance policy has been adopted by main contractor to cover potential losses. Accordingly, no provision has been made to the consolidated financial statements.

In addition, the Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2020, the Group's contingent liabilities in relation to performance bonds were approximately HK\$7.7 million (2019: approximately HK\$4.5 million).

Capital Commitments

The Group has no capital commitment as at 31 March 2020 (2019: Nil).

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 for 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, 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 by 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 overspend or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

Irregular profit margin

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.

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.

Uncertainties in business environment

The reporting period has been a time of unprecedented changes in Hong Kong's social, political and economic environments which have created negative impact on many business sectors of the local economy including, inevitably, the construction and property development sectors. With the outbreak of the COVID-19 pandemic, the already weakened general business sentiment took a further downturn on a global scale. Looking forward, the Group and its industry peers will face continued uncertainties in both the Hong Kong and Macau markets, as well as continued challenges from aggressive competition, rises in labour costs and shortages of experienced labour caused by travel restrictions between Hong Kong, Macau and the mainland China. Amidst this unusually adverse business landscape, the Group may continue to be adversely affected in terms of profitability and liquidity.

Employees and Remuneration Policy

As at 31 March 2020 and 2019, the Group had 33 employees (including executive Directors). The total staff costs incurred by the Group for the year ended 31 March 2020 were approximately HK\$17.1 million (2019: approximately HK\$16.0 million). The increase in staff costs was mainly due to (i) increase in average number of staff for the year ended 31 March 2020; and (ii) increase in monthly average salary for staff.

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. Employees

are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. Other staff benefits include the provision of retirement benefits and sponsorship of training courses.

The emoluments of Directors and senior management were reviewed by the Remuneration Committee of the Company, having regard to the remuneration paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

Significant Investments Held, Material Acquisitions or Disposal of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2020. Save as the business plan as disclosed under the section headed “Future plans and use of proceeds” in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”), there was no other plans for material investments or capital assets as at 31 March 2020.

Use of Net Proceeds from the Listing

The net proceeds from the Listing 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 31 March 2020:

	Proposed Application <i>HK\$ million</i>	Actual usage up to 31 March 2020 <i>HK\$ million</i>	% utilised
— Acquiring a property as a warehouse, workshop and showroom (<i>Note 1</i>)	29.9	—	0.0%
— Repayment of bank borrowings	27.8	27.8	100.0%
— Expanding capacity to undertake more projects	14.0	9.3	66.4%
— Expanding and strengthening the manpower	7.4	3.8	51.4%
— Refurbishment of the offices	5.1	3.9	76.5%
— Upgrading the information technology and project management systems	2.8	—	0.0%
— General working capital	9.4	9.4	100.0%
	<u>96.4</u>	<u>54.2</u>	<u>56.2%</u>

Note 1: The Group has considered potential acquisition of certain properties but yet to identify any suitable target during the year. In the meanwhile, the Group also considered the impact of the COVID-19 pandemic and the US-China trade conflict on the Hong Kong property market and economy. Due to the uncertainties in Hong Kong's property market and economy, the Group has rented a premise for marketing purpose from an independent third party during the year ended 31 March 2020 with a term of 3 years, and rental expense and decoration of approximately HK\$0.6 million has been used on the premise. At the same time, the Group is closely monitoring the property market.

The Group remains cautious in selecting properties for acquisition to ensure suitability and with reasonable pricing.

Note 2: All unutilised balances have been placed in licensed banks in Hong Kong.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the year ended 31 March 2020.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 for the year ended 31 March 2020 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 is currently the chairman of 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. Further, the audit committee (the “**Audit Committee**”), which consists of three independent non-executive Directors 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 independent non-executive Directors, who have confirmed that they have complied with the Model Code for the year ended 31 March 2020.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited (“**SHINEWING**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on the preliminary announcement.

AUDIT COMMITTEE’S REVIEW

The Company has established the Audit Committee with written terms of reference which deal clearly with its authority and duties.

The Audit Committee of the Company has reviewed the Group’s consolidated financial statements for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group and recommended to the Board for approval.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting (“**AGM**”) of the Company to be held on Friday, 21 August 2020, the register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 August 2020.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website (www.kwantaieng.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 March 2020 will also be available at the respective websites of the Company and the Stock Exchange and will be despatched to shareholders of the Company in late July 2020.

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

Hong Kong, 24 June 2020

As at the date of this announcement, the executive Directors are Mr. Lo Wing Cheung (Chairman) and Ms. Fung Pik Mei, the non-executive Director is Mr. Wan Ho Yin and the independent non-executive Directors are Mr. Shu Wa Tung Laurence, Mr. Tam Wai Tak Victor and Mr. Tam Wing Lok.