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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 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 March	
	2024	2023
Revenue	HK\$102.5 million	HK\$189.4 million
Gross profit	HK\$9.4 million	HK\$15.1 million
Net loss after taxation	(HK\$36.7 million)	(HK\$23.2 million)
Basic loss per share	(HK cents 4.59)	(HK cents 2.90)

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 2024, together with comparative figures of the corresponding period in 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	3	102,540	189,429
Cost of sales and services		<u>(93,125)</u>	<u>(174,307)</u>
Gross profit		9,415	15,122
Other income	4	1,096	4,189
Selling and distribution expenses		(3,733)	(5,269)
Administrative expenses		(38,240)	(33,829)
Finance costs		<u>(5,192)</u>	<u>(3,396)</u>
Loss before taxation		(36,654)	(23,183)
Income tax expenses	5	<u>(63)</u>	<u>(23)</u>
Loss and total comprehensive expense for the year attributable to the owners of the Company	6	<u>(36,717)</u>	<u>(23,206)</u>
Loss per share:			
Basic and diluted (<i>HK cents</i>)	8	<u>(4.59)</u>	<u>(2.90)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		49,331	51,028
Right-of-use assets		809	1,965
Prepayment and deposits paid for life insurance policies		6,670	6,416
Deposits, prepayments and other receivables		110	235
		<u>56,920</u>	<u>59,644</u>
Current assets			
Inventories		1,602	3,432
Contract assets		64,074	92,814
Trade receivables	9	1,839	38,202
Deposits, prepayments and other receivables		3,880	1,780
Tax recoverable		2,883	2,233
Pledged bank deposits		8,643	8,279
Bank balances and cash		29,701	24,774
		<u>112,622</u>	<u>171,514</u>
Current liabilities			
Trade and bills payables	10	8,268	21,500
Contract liabilities		10,918	8,505
Retention monies payables		2,503	2,784
Accrual and other payables		2,266	2,591
Bank borrowings		52,210	64,526
Lease liabilities		680	1,152
		<u>76,845</u>	<u>101,058</u>
Net current assets		<u>35,777</u>	70,456
Total assets less current liabilities		<u>92,697</u>	130,100
Non-current liabilities			
Deferred tax liability		185	191
Lease liabilities		146	826
		<u>331</u>	<u>1,017</u>
		<u>92,366</u>	<u>129,083</u>
Capital and reserves			
Share capital	11	8,000	8,000
Reserves		84,366	121,083
		<u>92,366</u>	<u>129,083</u>

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 Helios Enterprise Holding Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei. 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 principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are investment holding, sales of building materials and provision of construction and engineering services.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Group.

As at 31 March 2024, the Group had bank balances and cash of approximately HK\$29,701,000 and bank borrowings due within one year of approximately HK\$52,210,000. Based on the estimation of the future cash flows of the Group, and the ability to renew the bank loans upon expiry, the directors believed that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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 issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKFRS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current 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.

Amendments to HKFRSs issued but not yet effective

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

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 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

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

The directors of the Company anticipate that, except as described below, the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 – Classification of liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020); Amendments to HKAS 1 – Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the “**2020 Amendments**”) clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity’s right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity’s own equity instruments.

Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or earlier 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendment, and vice versa.

Based on the Group’s outstanding liabilities as at 31 March 2024, the application of the amendments will not result in change in the classification of the Group’s liabilities.

3. REVENUE AND SEGMENT INFORMATION

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or services lines		
Sales of building materials		
– Gypsum block	4,775	22,142
– Wooden flooring	820	1,178
– Others	31	931
Revenue from provision of construction and engineering services		
– Gypsum block	42,100	47,135
– Wooden flooring	43,384	101,665
– Others	11,430	16,378
	<u>102,540</u>	<u>189,429</u>

Disaggregation of the Group's revenue by timing of recognition

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Timing of revenue recognition		
At a point in time	5,626	24,251
Over time	96,914	165,178
	<u>102,540</u>	<u>189,429</u>

Segment revenue 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 segments.

For the year ended 31 March 2024

	Sales of building materials <i>HK\$'000</i>	Construction contracts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>5,626</u>	<u>96,914</u>	<u>102,540</u>
Segment profit	<u>2,343</u>	<u>1,511</u>	3,854
Unallocated income			770
Unallocated corporate expenses			(36,086)
Unallocated finance costs			<u>(5,192)</u>
Loss before taxation			<u>(36,654)</u>

For the year ended 31 March 2023

	Sales of building materials <i>HK\$'000</i>	Construction contracts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>24,251</u>	<u>165,178</u>	<u>189,429</u>
Segment profit	<u>7,799</u>	<u>6,853</u>	14,652
Unallocated income			4,189
Unallocated corporate expenses			(38,628)
Unallocated finance costs			<u>(3,396)</u>
Loss before taxation			<u>(23,183)</u>

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, finance costs and other income. 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A ^{1,2}	12,227	60,591
Customer B ^{1,2}	N/A*	40,503
Customer C ^{1,2}	25,966	N/A*
Customer D ^{1,2}	17,263	N/A*
	<u>17,263</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	412	198
Interest income from deposits paid for life insurance policies	262	252
Reversal of impairment losses recognised on trade receivables	326	–
Net foreign exchange gain	–	228
Government grant (<i>note</i>)	–	1,987
Storage fee	12	1,317
Compensation from employee injury claims	30	54
Others	54	153
	<u>1,096</u>	<u>4,189</u>

Note: During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$1,987,000 in respect of COVID-19-related subsidies related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those government grant.

5. INCOME TAX EXPENSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	69	64
Under-provision in prior years	–	7
Deferred taxation	(6)	(48)
	<u>63</u>	<u>23</u>

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 years ended 31 March 2024 and 2023, 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 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%.

6. LOSS FOR THE YEAR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments	6,150	6,109
Other staff costs	12,121	12,801
Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments)	<u>409</u>	<u>432</u>
Total staff costs	<u>18,680</u>	<u>19,342</u>
Auditor's remuneration	780	915
Depreciation of property, plant and equipment	2,446	2,888
Depreciation of right-of-use assets	1,156	913
(Reversal of) Impairment loss recognised on trade receivables	(326)	103
Impairment loss recognised on contract assets	5,887	367
Net foreign exchange loss (gain)	5	(228)
Loss on write-off of property, plant and equipment	–	2
Expense relating to short-term lease	263	270
Amount of inventories recognised as an expense	<u>4,326</u>	<u>20,286</u>

7. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Dividends paid during the year:		
2022 Final dividends – HK0.5 cents per ordinary share	<u>–</u>	<u>4,000</u>

No dividend was proposed for the years ended 31 March 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

8. LOSS PER SHARE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share, representing loss for the year attributable to owners of the Company	<u>(36,717)</u>	<u>(23,206)</u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>'000 shares</i>)	<u>800,000</u>	<u>800,000</u>

The loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2024 and 2023.

9. TRADE RECEIVABLES

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	3,348	40,037
Less: allowance for impairment loss of trade receivables	<u>(1,509)</u>	<u>(1,835)</u>
	<u><u>1,839</u></u>	<u><u>38,202</u></u>

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 allowance for impairment loss of trade receivables, presented based on the invoice dates at the end of the reporting period:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	1,334	33,526
31 to 60 days	167	2,341
61 to 90 days	254	713
Over 90 days	<u>84</u>	<u>1,622</u>
	<u><u>1,839</u></u>	<u><u>38,202</u></u>

10. TRADE AND BILLS PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	5,714	10,385
Bills payables	<u>2,554</u>	<u>11,115</u>
	<u><u>8,268</u></u>	<u><u>21,500</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	5,269	12,959
31 to 90 days	2,365	7,548
91 to 180 days	162	719
Over 180 days	<u>472</u>	<u>274</u>
	<u><u>8,268</u></u>	<u><u>21,500</u></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 2024 and 2023 represented the share capital of the Company.

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<u>2,000,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	<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, plasterboard and drywall partition products; (iii) interior composite panel lining, in particular, SPC wall panels; (iv) demountable partition system; and (v) roof tiles.

During the year ended 31 March 2024 (the “Year”), the Group continued to operate in a dynamic business environment owing to the adverse impact on the macroeconomic setting brought by the ongoing geopolitical tensions, the high inflation and interest rate hikes in some major economies including the United States of America, despite that global economic activities were returning to their normality following the containment of the pandemic. In the local context, economic recovery was slower than expected against a backdrop of global economic uncertainties and slowdown of China's economy, tightened budget from main developers and increase in costs of raw materials, as well as slowdown of construction progress of private residential building. As a result, the Group recorded a drop in revenue to approximately HK\$102.5 million, and a net loss of approximately HK\$36.7 million for the Year, as compared to revenue and net loss of approximately HK\$189.4 million and HK\$23.2 million for the year ended 31 March 2023, respectively. Facing these challenges, the Group had continued to adopt a cautious and disciplined approach in managing its businesses for the Year. The Group maintained a sufficient amount of bank balances and steady operating cashflows. As at 31 March 2024, the Group had cash and cash equivalents of approximately HK\$29.7 million (31 March 2023: approximately HK\$24.8 million), while the bank borrowings decreased from approximately HK\$64.5 million as at 31 March 2023 to approximately HK\$52.2 million as at 31 March 2024.

The Group noted the increasing competition on timber flooring products with its competitors' aggressive pricing strategy, and the number of private residential properties completed in 2023 has been decreased over 30%, according to the provisional data from the Rating and Valuation Department. In addition, the commencement dates and work programmes of several newly awarded timber flooring projects have been delayed, as the property developers slow down the construction progress. Hence, the Group's revenue generated from timber flooring projects for the year ended 31 March 2024 has been slightly decreased.

The 10-Year Hospital Development Plan contained in the 2016 Policy Address of the Chief Executive would continue to be the key footprint for the Group to pursue in its business development. Having considered the stringent requirements related to hospitals construction projects, the Group kept up the efforts to improve the technicality of its gypsum block installation system, so as to facilitate compliance with the enhanced construction standards to maintain its competitiveness. In previous years, the Group's efforts have been proven successful by its completion of several large-scale hospital projects in both private and public sectors. Going onward, the Group trusts it remains well-positioned to take on further potential business opportunities brought by the 10-Year Hospital Development Plan, the implementation

of which is being robustly driven by the Hong Kong Government. During the Year, the Group was working on a Community Health Centre construction project in Northern District under the 10-Year Hospital Development Plan in supplying and installing around 20,000 square meters of gypsum block products, and a health centre of a private hospital project in Eastern Kowloon. In addition, the Group has been awarded one addition project under the 10-Year Hospital Development Plan with contract sum of approximately HK\$142.5 million, and one supply and installation project in constructing a hospital with contract sum of approximately HK\$29.7 million. These are remarkable steps for the Group to demonstrate its high-quality work to developers.

In 2019, the Group introduced several new products including interior composite panel lining, in particular, the SPC wall panel, a panel lining with anti-bacterial, eco-friendly properties, which provides a quicker and budgeted solution to the Group's customers compared to conventional installation methods and is well-suited to the latest industry trend requiring faster construction. After completing a large-scale hospital project for the supply and installation of over 20,000 square meters of SPC wall panels in early 2021, the Group is well-prepared to take part in other large-scale projects in the future. During the Year, the Group has been invited to submit tender for another large-scale hospital project in supply and installation of SPC wall panels. With an increasing awareness about public health and safety amidst the COVID-19 pandemic, the Group foresees an increase in demand for the anti-bacterial SPC wall panels from its customers.

The Group's demountable partition system has started to emerge into the market. During the Year, the Group has been working on two projects in supply and installation of demountable partition system to a primary school and a hospital. As at 31 March 2024, the Group has three public utility projects on hand with aggregate contract sum of approximately HK\$67.0 million. The Group will spend effort in completing these public utility projects in the coming future.

The Group kept exploring the fitout sector so as to fully utilise its interior installation experience and to achieve vertical integration and diversification of its business segments. The Group has so far received positive response from its customers.

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) construction contracts, i.e. provision of construction and engineering services; and (ii) sales of building materials. The Group's total revenue decreased by approximately HK\$86.9 million, or approximately 45.9%, from approximately HK\$189.4 million for the year ended 31 March 2023 to approximately HK\$102.5 million for the year ended 31 March 2024. Owing to slump in property market which slows down the construction progress, and keen competition from competitors with aggressive pricing strategies, the average contract sum for newly awarded contracts decreased, leading to a drop in revenue.

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

	For the year ended 31 March			
	2024		2023	
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>
Construction contracts	96.9	94.5	165.2	87.2
Sales of building materials	5.6	5.5	24.2	12.8
Total	102.5	100.0	189.4	100.0

Construction Contracts

The Group's revenue generated from construction contracts has been decreased from approximately HK\$165.2 million for the year ended 31 March 2023 to approximately HK\$96.9 million for the year ended 31 March 2024, representing a decrease of approximately HK\$68.3 million or approximately 41.3%. During the year ended 31 March 2024, as main developers slow down the construction progress owing to the slump in property market, revenue generated from timber flooring decreased by approximately HK\$58.3 million to approximately HK\$43.4 million during the year ended 31 March 2024.

Sales of Building Materials

The Group's revenue generated from sales of building materials decreased by approximately HK\$18.6 million, or approximately 76.9%, from approximately HK\$24.2 million for the year ended 31 March 2023 to approximately HK\$5.6 million for the year ended 31 March 2024. Owing to keen competition and tighten budget of main developers, contract sum for projects awarded decreased. Hence, revenue recorded from sales of gypsum block products decreased from approximately HK\$22.1 million for the year ended 31 March 2023 to approximately HK\$4.8 million for the year ended 31 March 2024.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$93.1 million for the year ended 31 March 2024, decreased by approximately 46.6% (2023: approximately HK\$174.3 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.3% (2023: approximately 98.4%) of the Group's total cost of sales and services for the year ended 31 March 2024.

The Group's material costs mainly comprises wooden flooring materials and gypsum block materials. The Group recorded a decrease in material costs under cost of sales and services by approximately 50.7% for the year ended 31 March 2024, which was generally in line with the decrease in revenue for the year ended 31 March 2024. The decrease in material costs for the year ended 31 March 2024 was mainly caused by the decrease in revenue generated from timber flooring products and German-made gypsum block materials during the year ended 31 March 2024.

The Group recorded a decrease in subcontracting costs under cost of sales and services by approximately 37.8% for the year ended 31 March 2024, which was generally in line with the decrease in revenue for the year ended 31 March 2024.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$5.7 million, or approximately 37.7%, from approximately HK\$15.1 million for the year ended 31 March 2023 to approximately HK\$9.4 million for the year ended 31 March 2024. The Group's gross profit margin slightly increased from approximately 8.0% for the year ended 31 March 2023 to approximately 9.2% for the year ended 31 March 2024.

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

With the increase in competition from competitors with aggressive pricing strategies, the Group carefully estimated the gross profit of each project before accepting a new bid.

Other than the above factors, the Group's gross profit margin is generally related to the proportion of the Group's revenue generated from sales of building materials. In general, the gross profit margin of sales of building materials is higher than that of construction contracts, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of construction contracts.

Other Income

The Group's other income decreased from approximately HK\$4.2 million for the year ended 31 March 2023 to approximately HK\$1.1 million for the year ended 31 March 2024, as no wage subsidies from the Employment Support Scheme under the Anti-epidemic Fund launched by the Government were received for the year ended 31 March 2024 (2023: approximately HK\$2.0 million). The Group's other income for the year ended 31 March 2024 mainly consisted of reversal of impairment losses recognised on assets of approximately HK\$0.3 million, interest income from deposits paid for life insurance policies of approximately HK\$0.3 million, and bank interest income of approximately HK\$0.4 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses, storage expenses and business development expenses. The total selling and distribution expenses decreased by approximately HK\$1.6 million, or approximately 30.2%, from approximately HK\$5.3 million for year ended 31 March 2023 to approximately HK\$3.7 million for the year ended 31 March 2024. The decrease in selling and distribution expenses was in line with the decrease in revenue generated from the German-made gypsum block products.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$4.4 million, or approximately 13.0%, from approximately HK\$33.8 million for the year ended 31 March 2023 to approximately HK\$38.2 million for the year ended 31 March 2024. The increase in administrative expenses was mainly caused by the increase in provision for impairment on assets of approximately HK\$5.4 million, which offset the decrease in staff cost of approximately HK\$0.6 million as compared with the year ended 31 March 2023.

Finance Costs

With the increase in interest rate, the Group's finance costs increased by approximately HK\$1.8 million, or approximately 52.9%, from approximately HK\$3.4 million for the year ended 31 March 2023 to approximately HK\$5.2 million for the year ended 31 March 2024.

Income Tax Expenses

The Group's recorded a minimal income tax expense for the year ended 31 March 2024, as the Group recorded net loss for the year ended 31 March 2024 and thus has minimal income tax exposure.

Net Loss

The Group's net loss increased from approximately HK\$23.2 million for the year ended 31 March 2023 to approximately HK\$36.7 million for the year ended 31 March 2024. The increase in net loss was mainly due to decrease in revenue and gross profit as mentioned 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 2024 was approximately HK\$92.4 million (2023: approximately HK\$129.1 million).

As at 31 March 2024, the Group's net current assets were approximately HK\$35.8 million (2023: approximately HK\$70.5 million).

Cash and Cash Equivalents

As at 31 March 2024, the Group had cash and cash equivalents of approximately HK\$29.7 million (2023: approximately HK\$24.8 million).

Bank Borrowings

As at 31 March 2024, the Group had bank borrowings of approximately HK\$52.2 million (2023: approximately HK\$64.5 million) carried at floating interest rate.

Key financial ratios

	2024	2023
Gearing ratio	57.4%	51.5%
Current ratio	1.5	1.7

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 and bank borrowings.

PLEDGE OF ASSETS

As at 31 March 2024, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$47.8 million (2023: approximately HK\$49.4 million), prepayment and deposits paid for life insurance policies of approximately HK\$6.7 million (2023: approximately HK\$6.4 million) and pledged bank deposits of approximately HK\$8.6 million (2023: approximately HK\$8.3 million).

CAPITAL EXPENDITURE

During the year ended 31 March 2024, the Group acquired items of property, plant and equipment of approximately HK\$0.7 million (2023: approximately HK\$0.4 million).

CONTINGENT LIABILITIES

As at 31 March 2024, the Group was involved in two litigations and potential claims against the Group in relation to work-related injuries. In the opinion of the Directors, the litigations and potential claims are not expected to have a material impact on the consolidated financial statements, as insurance policies have been adopted by main contractors to cover potential losses. Accordingly, no provision has been made to the consolidated financial statements for the year ended 31 March 2024.

The Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2024, the Group's contingent liabilities in relation to performance bonds were approximately HK\$14.0 million (2023: approximately HK\$14.7 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 March 2024 (2023: 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, scope of work, technical complexity, variation orders (if any), 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.

Interest Rate Risk

As at 31 March 2024, the Group had interest-bearing bank borrowings of approximately HK\$52.2 million. The Group has not hedged against the respective interest rate risks. All of the Group's current interest-bearing bank borrowings have a floating interest rate. Should there be an increase in interest rate in the future, interest expenses of the Group may increase and cash flows and profitability of the Group may be adversely affected.

Credit Risk – Contract Assets

Contract assets represent a large portion of the Group's assets. The carrying amount of the Group's contract assets of approximately HK\$64.1 million as at 31 March 2024 represents the maximum exposure to credit risk in relation to contract assets (2023: approximately HK\$92.8 million). In order to minimise the Group's credit risk exposure, the management of the Group is closely monitoring the contract assets and will take follow-up action if needed.

In assessing credit risk, the Company has taken into the following factors:

1. Recovery history of the counterparties;
2. Credit rating of the counterparties; and
3. Forward-looking factors of the market.

In addition, the Group has appointed an independent professional valuer in assessing the expected credit loss of contract assets as at 31 March 2024 to ensure impairment loss provided is adequate.

Subsequent to 31 March 2024 and up to 18 June 2024, approximately 22.5% of contract assets as at 31 March 2024 have been subsequently billed to the customers and approximately 20.4% of contract assets as at 31 March 2024 have been settled.

Customer Concentration Risk

During the year ended 31 March 2024, the Group's five largest customers in aggregate accounted for approximately 66.3% (2023: approximately 72.4%) of the Group's total revenue. The largest customer accounted for approximately 25.3% (2023: approximately 32.0%) of the Group's total revenue.

If there is a significant decrease in business engagements with the Group's major customers for whatever reasons, and Group is unable to obtain comparable business engagements as replacement, the financial conditions and operating results of the Group would be materially and adversely affected. Meanwhile, if any of the Group's five largest customers experiences any liquidity problems, it may result in delay or default of payments to the Group, which in turn would have an adverse impact on the cash flows and financial conditions of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, including executive Directors, the Group had 29 full-time employees and 1 part-time employee (2023: 32 full-time employees and 2 part-time employees). The total staff costs incurred by the Group for the year ended 31 March 2024 were approximately HK\$18.7 million (2023: approximately HK\$19.3 million). The decrease in staff costs was mainly due to decrease in number of staff under the cost restructuring plan.

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 Board, 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

The Group had no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2024.

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 2024.

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 code provision C.2.1 of the Corporate Governance Code (the "CG Code") set out in Appendix C1 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 2024 except the following:

Pursuant to code provision C.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 and the CEO, responsible for strategic planning and management 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 C3 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 2024.

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 2024 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 2024, including the accounting principles and practices adopted by the Group and recommended to the Board for approval.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (2023: nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 20 August 2024 (the “AGM”), the register of members of the Company will be closed from Thursday, 15 August 2024 to Tuesday, 20 August 2024 (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, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 14 August 2024.

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 2024 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 2024.

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

Hong Kong, 25 June 2024

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. Li Pui Ho, and the independent non-executive Directors are Mr. Shu Wa Tung Laurence, Mr. Tam Wai Tak Victor and Mr. Tam Wing Lok.