



INTERIM REPORT

2023 / 24



**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



# CONTENTS

- 2** Corporate Information
- 3** Management Discussion and Analysis
- 16** Other Information
- 21** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 22** Condensed Consolidated Statement of Financial Position
- 24** Condensed Consolidated Statement of Changes in Equity
- 25** Condensed Consolidated Statement of Cash Flows
- 26** Notes to the Condensed Consolidated Financial Statements

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lo Wing Cheung (*Chairman*)

Ms. Fung Pik Mei

### Non-executive Director

Mr. Li Pui Ho

(appointed on 1 September 2023)

Mr. Wan Ho Yin

(resigned on 1 September 2023)

### Independent Non-executive Directors

Mr. Shu Wa Tung Laurence

Mr. Tam Wai Tak Victor

Mr. Tam Wing Lok

## AUDIT COMMITTEE

Mr. Shu Wa Tung Laurence (*Chairman*)

Mr. Li Pui Ho

(appointed on 1 September 2023)

Mr. Tam Wai Tak Victor

Mr. Tam Wing Lok

Mr. Wan Ho Yin

(resigned on 1 September 2023)

## REMUNERATION COMMITTEE

Mr. Tam Wing Lok (*Chairman*)

Mr. Lo Wing Cheung

Mr. Shu Wa Tung Laurence

Mr. Tam Wai Tak Victor

## NOMINATION COMMITTEE

Mr. Lo Wing Cheung (*Chairman*)

Mr. Shu Wa Tung Laurence

Mr. Tam Wai Tak Victor

Mr. Tam Wing Lok

## COMPANY SECRETARY

Mr. Chau Wing Wo

## AUDITOR

SHINEWING (HK) CPA Limited

## AUTHORISED REPRESENTATIVES

Mr. Lo Wing Cheung

Ms. Fung Pik Mei

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO BOX 1093

Boundary Hall Cricket Square

Grand Cayman KY1-1102

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

## REGISTERED OFFICE

PO BOX 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 806, 8/F Eastern Centre

1065 King's Road

Quarry Bay

Hong Kong

## SHARE INFORMATION

Ordinary share listing

Place of listing Main Board of The  
Stock Exchange of  
Hong Kong Limited

Stock code 06182

Board lot size 8,000 Shares

## WEBSITE

[www.kwantaieng.com](http://www.kwantaieng.com)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND MARKET PROSPECT

The Group is a building materials contractor providing building materials and the relevant installation services through its wholly-owned subsidiary, Kwan Tai Engineering Co., Limited in Hong Kong. The Group's products mainly consist of (i) timber flooring products; (ii) interior wall-fill materials, in particular, gypsum block and drywall partition products; (iii) interior composite panel lining, in particular, SPC wall panels; (iv) demountable partition system; (v) woodwork products; and (vi) roof tiles.

During the six months ended 30 September 2023, the Group continued to operate in a challenging 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 a result, the Group recorded a decrease in revenue to approximately HK\$56.8 million and a net loss of approximately HK\$16.9 million for the six months ended 30 September 2023, respectively, compared to revenue and a net loss of HK\$118.0 million and HK\$3.0 million for the six months ended 30 September 2022, respectively. Facing these challenges, the Group had continued to adopt a cautious and disciplined approach in managing its businesses for the six months ended 30 September 2023. The Group maintained a sufficient amount of bank balances and steady operating cashflows. As at 30 September 2023, the Group had cash and cash equivalents of HK\$23.7 million (31 March 2023: approximately HK\$24.8 million).

The Group noted the increasing competition on timber flooring products with its competitors' aggressive pricing strategy, and drop in number of private residential properties completed in 2023, according to the provisional data from the Rating and Valuation Department. Hence, the number of projects available in the market decreased. In addition, a downward trend is observed in property market, and developers tightened their budget which affected the tender sum for projects. Therefore, revenue generated from timber flooring projects for the six months ended 30 September 2023 by the Group has decreased.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 its efforts to improve the technicality of its gypsum block installation system, so as to facilitate the 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. As of now, the Group is currently working on a Community Health Centre construction project 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. These are remarkable steps for the Group to demonstrate its high-quality work to developers. 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. Given the risks presented by the COVID-19 pandemic, developers are likely to place more emphasis on the quality of gypsum block products, which could lead to greater business opportunities for the Group as it offers gypsum block products with eco-friendly and radiation protection features that are fit for the current building material specifications.

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. This product started to penetrate the market in 2020 and is especially well-suited to the latest industry trend requiring faster construction. 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 started to emerge into the market. During the six months ended 30 September 2023, the Group has been working on a project in supply and install of demountable partition system to a primary school. As of now, the Group has been awarded another public utility project. Together with two hospital projects on hand, the Group will spend effort in completing these public utility projects in the coming future.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group also continued to explore 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 responses from its customers.

As supported by the 2023 Policy Address, the Hong Kong Government will keep developing land resources to satisfy long-term housing demand. 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 challenges in the fast-changing environment and maintain its leading position among other industry players to achieve satisfactory results.

### 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\$61.2 million, or approximately 51.9%, from approximately HK\$118.0 million for the six months ended 30 September 2022 to approximately HK\$56.8 million for the six months ended 30 September 2023. Owing to keen competition and tighten budget from main developers, contract sum for projects awarded has decreased during the six months ended 30 September 2023. The Group will keep its effort in securing projects with considerable contract sum.

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

	For the six months ended 30 September			
	2023		2022	
	HK\$ million	%	HK\$ million	%
Construction contracts	53.0	93.3	102.5	86.9
Sales of building materials	3.8	6.7	15.5	13.1
Total	56.8	100.0	118.0	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Construction Contracts

The Group's revenue generated from construction contracts decreased by approximately HK\$49.5 million, or approximately 48.3%, from approximately HK\$102.5 million for the six months ended 30 September 2022 to approximately HK\$53.0 million for the six months ended 30 September 2023. As mentioned above, number of private residential property projects available in the market decreased owing to the current economic condition, and keen competition from the Group's competitor, hence, the revenue from timber flooring projects have decreased by approximately HK\$33.5 million for the six months ended 30 September 2023.

### Sales of Building Materials

The Group's revenue generated from sales of building materials decreased by approximately HK\$11.7 million, or approximately 75.5%, from approximately HK\$15.5 million for the six months ended 30 September 2022 to approximately HK\$3.8 million for the six months ended 30 September 2023. As customers were facing decreases in their construction budgets, the sales of German made gypsum block products have been deeply affected and decreased by approximately HK\$11.9 million for the six months ended 30 September 2023.

### Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$54.0 million for the six months ended 30 September 2023, decreased by approximately 47.9% (six months ended 30 September 2022: approximately HK\$103.7 million). Cost of sales and services mainly comprised material costs and subcontracting costs.

The Group's material costs mainly comprises timber flooring materials and gypsum block materials. During the six months ended 30 September 2023, the Group recorded a decrease in material costs by approximately HK\$32.8 million, or approximately 57.5%, which was caused by the decrease in revenue generated by timber floorings and gypsum block products owing to the abovementioned reasons.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group also recorded a decrease in subcontracting costs under cost of sales and services by approximately HK\$18.4 million, or approximately 39.1% for the six months ended 30 September 2023. As additional costs were incurred towards the completion stage of certain supply and installation projects, the extent of decrease in subcontracting costs is less than the extent of decrease in revenue from construction contracts.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$11.5 million, or approximately 80.6%, from approximately HK\$14.3 million for the six months ended 30 September 2022 to approximately HK\$2.8 million for the six months ended 30 September 2023, and the Group's gross profit margin decreased from approximately 12.1% for six months ended 30 September 2022 to approximately 4.9% for the six months ended 30 September 2023.

The gross profit and gross profit margin of the Group's projects are 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 abovementioned factors, the decrease in the Group's gross profit margin was attributable to the decrease in proportion of the Group's revenue generated from sales of building materials. In general, the gross profit margin of construction contracts is lower than that of sales of building materials, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of construction contracts. Given that the sales of building materials has been decreased significantly for the six months ended 30 September 2023 as compared to the six months ended 30 September 2022, the Group's overall gross profit margin decreased accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Other Income

With the absence of government grant of approximately HK\$1.8 million, and drop in storage fee and transportation income of approximately HK\$0.7 million, the Group's other income decreased from approximately HK\$3.1 million for the six months ended 30 September 2022, to approximately HK\$0.4 million for the six months ended 30 September 2023.

### 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\$1.4 million, or approximately 56.1%, from approximately HK\$2.5 million for the six months ended 30 September 2022 to approximately HK\$1.1 million for the six months ended 30 September 2023. Such decrease is owing to the significant drop in sales of gypsum block products during the six months ended 30 September 2023.

### Administrative Expenses

The Group's administrative expenses slightly decreased by approximately HK\$0.2 million, from approximately HK\$16.7 million for the six months ended 30 September 2022 to approximately HK\$16.5 million for the six months ended 30 September 2023, which is caused by the decrease in staff costs of approximately HK\$0.5 million as the average number of staff decreased.

### Finance Costs

With the dual effect of increase in average bank borrowings and effective interest rate for the six months ended 30 September 2023, the Group's finance costs increased significantly by approximately HK\$1.3 million, from approximately HK\$1.2 million for the six months ended 30 September 2022 to approximately HK\$2.5 million for the six months ended 30 September 2023.

### Income Tax Expenses

The Group's recorded a minimal tax expenses of approximately HK\$27,000 for the six months ended 30 September 2023. As the Group recorded a net loss for the six months ended 30 September 2023, income tax exposure was minimal.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Net Loss

The Group recorded a net loss of approximately HK\$16.9 million for the six months ended 30 September 2023, as compared to the net loss of approximately HK\$3.0 million for the six months ended 30 September 2022. The increase in net loss was mainly attributed to the 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 30 September 2023 was approximately HK\$112.2 million (31 March 2023: approximately HK\$129.1 million).

As at 30 September 2023, the Group's net current assets were approximately HK\$54.6 million (31 March 2023: approximately HK\$70.5 million).

#### Cash and Cash Equivalents

As at 30 September 2023, the Group had cash and cash equivalents of approximately HK\$23.7 million (31 March 2023: approximately HK\$24.8 million).

#### Bank Borrowings

As at 30 September 2023, the Group had borrowings of approximately HK\$61.6 million carried at floating interest rates (31 March 2023: approximately HK\$64.5 million carried at floating interest rates).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Key Financial Ratios

	30 September 2023	31 March 2023
Gearing ratio	56.2%	51.5%
Current ratio	1.6	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 30 September 2023, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$48.6 million (31 March 2023: approximately HK\$49.4 million), prepayment and deposits paid for life insurance policies of approximately HK\$6.5 million (31 March 2023: approximately HK\$6.4 million) and pledged bank deposits of approximately HK\$8.4 million (31 March 2023: approximately HK\$8.3 million).

### CONTINGENT LIABILITIES

As at 30 September 2023, 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 interim condensed consolidated financial statements for the six months ended 30 September 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In addition, the Group provided guarantee of performance bonds in its ordinary course of business. As at 30 September 2023, the Group's contingent liabilities in relation to performance bonds were approximately HK\$12.7 million (31 March 2023: approximately HK\$14.7 million).

### CAPITAL COMMITMENTS

The Group has no capital commitment as at 30 September 2023 (31 March 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 30 September 2023, the Group had interest-bearing bank borrowings of approximately HK\$61.6 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\$88.6 million as at 30 September 2023 represents the maximum exposure to credit risk in relation to contract assets (31 March 2023: 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 take follow up action if needed.

In assessing credit risk, the Company has taken into account 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 30 September 2023 to ensure impairment loss provided is adequate.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Subsequent to 30 September 2023 and up to 23 November 2023, approximately 14.4% of contract assets as at 30 September 2023 have been subsequently billed to the customers and approximately 9.6% of contract assets as at 30 September 2023 have been settled.

### Customer Concentration Risk

During the six months ended 30 September 2023, the Group's five largest customers in aggregate accounted for approximately 68.6% (six months ended 30 September 2022: approximately 76.6%) of the Group's total revenue. The largest customer accounted for approximately 27.1% (six months ended 30 September 2022: approximately 37.2%) 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 30 September 2023, including executive Directors, the Group had 31 full-time employees and 1 part-time employee (31 March 2023: 32 full-time employees and 2 part-time employees). The total staff costs incurred by the Group for the six months ended 30 September 2023 were approximately HK\$8.2 million (six months ended 30 September 2022: approximately HK\$8.7 million). The decrease in staff costs was mainly due to decrease in average number of 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS 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 six months ended 30 September 2023.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2023.

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining 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 14 to the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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 during the six months ended 30 September 2023 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 (“**INED(s)**”). Further, the audit committee (the “**Audit Committee**”), which consists of three INEDs and one non-executive Director, has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and INEDs, who have confirmed that they have complied with the Model Code during the six months ended 30 September 2023.

### EVENTS AFTER THE REPORTING PERIOD

The Group is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2023 and up to the date of this interim report.

### AUDIT COMMITTEE’S REVIEW

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

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2023 have been reviewed by the Audit Committee. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

### INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

## OTHER INFORMATION (CONTINUED)

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

As at 30 September 2023, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the “**Shares**”), or any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding
Mr. Lo Wing Cheung (“ <b>Mr. Lo</b> ”)	Interest in a controlled corporation ( <i>Note 1</i> )	588,000,000	73.5%
Ms. Fung Pik Mei (“ <b>Ms. Fung</b> ”)	Interest in a controlled corporation ( <i>Note 1</i> )	588,000,000	73.5%
Mr. Li Pui Ho (“ <b>Mr. Li</b> ”)	Interest in spouse ( <i>Note 2</i> )	6,000,000	0.75%

*Note 1:* These 588,000,000 Shares are held by Helios Enterprise Holding Limited (“**Helios**”), a company incorporated in the British Virgin Islands and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.

*Note 2:* These 6,000,000 Shares are held by Ms. Lo Pui Ying Janice, spouse of Mr. Li and daughter of Mr. Lo and Ms. Fung. Therefore, Mr. Li is deemed to be interested in all the Shares held by Ms. Lo Pui Ying Janice for the purposes of the SFO.

## OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

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

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

Save as disclosed above, as at 30 September 2023, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was adopted pursuant to a resolution passed on 19 December 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme. Number of share options available for grant under the Share Option Scheme as at 1 April 2023 and 30 September 2023 are 80,000,000 and 80,000,000, respectively.

On behalf of the Board  
**Twintek Investment Holdings Limited**  
**Lo Wing Cheung**  
*Chairman and Executive Director*

Hong Kong, 24 November 2023

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	<b>56,791</b>	117,964
Cost of sales and services		<b>(54,021)</b>	(103,707)
Gross profit		<b>2,770</b>	14,257
Other income	5	<b>405</b>	3,110
Selling and distribution expenses		<b>(1,088)</b>	(2,480)
Administrative expenses		<b>(16,454)</b>	(16,693)
Finance costs	6	<b>(2,489)</b>	(1,203)
Loss before taxation		<b>(16,856)</b>	(3,009)
Income tax expenses	7	<b>(27)</b>	(14)
Loss and total comprehensive expense for the period attributable to the owners of the Company	8	<b>(16,883)</b>	(3,023)
Loss per share:			
Basic and diluted (HK cents)	10	<b>(2.11)</b>	(0.38)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	50,081	51,028
Right-of-use assets	12	1,387	1,965
Prepayment and deposits paid for life insurance policies		6,543	6,416
Deposits		110	235
		<b>58,121</b>	59,644
<b>Current assets</b>			
Inventories		1,676	3,432
Contract assets	14	88,564	92,814
Trade receivables	13	12,603	38,202
Deposits, prepayments and other receivables		4,976	1,780
Tax recoverable		2,923	2,233
Pledged bank deposits		8,442	8,279
Bank balances and cash		23,738	24,774
		<b>142,922</b>	171,514
<b>Current liabilities</b>			
Trade and bills payables	15	13,012	21,500
Contract liabilities	14	7,876	8,505
Retention monies payables		2,425	2,784
Accrual and other payables		2,318	2,591
Bank borrowings	16	61,619	64,526
Lease liabilities	12	1,042	1,152
		<b>88,292</b>	101,058
<b>Net current assets</b>		<b>54,630</b>	70,456
<b>Total assets less current liabilities</b>		<b>112,751</b>	130,100

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2023

	<i>Notes</i>	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (Audited)</b>
Non-current liabilities			
Deferred tax liability		<b>188</b>	191
Lease liabilities	12	<b>363</b>	826
		<b>551</b>	1,017
		<b>112,200</b>	129,083
Capital and reserves			
Share capital	17	<b>8,000</b>	8,000
Reserves		<b>104,200</b>	121,083
		<b>112,200</b>	129,083

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>(Note i)</i>	Retained profits HK\$'000	Total HK\$'000
At 1 April 2023 (Audited)	8,000	89,940	5,024	26,119	129,083
Loss and total comprehensive expense for the period	-	-	-	(16,883)	(16,883)
At 30 September 2023 (Unaudited)	8,000	89,940	5,024	9,236	112,200
At 1 April 2022 (Audited)	8,000	89,940	5,024	53,325	156,289
Loss and total comprehensive expense for the period	-	-	-	(3,023)	(3,023)
Dividend paid <i>(Note 9)</i>	-	-	-	(4,000)	(4,000)
At 30 September 2022 (Unaudited)	8,000	89,940	5,024	46,302	149,266

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	<b>5,145</b>	(3,289)
NET CASH USED IN INVESTING ACTIVITIES	<b>(212)</b>	(402)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	<b>(5,969)</b>	3,063
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(1,036)</b>	(628)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>24,774</b>	28,223
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	<b>23,738</b>	27,595

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 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 were 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 address of the registered office of the Company is PO Box 309, Uglund House, Grand Cayman, KY1-1104, the Cayman Islands and the principal place of business of the Company is at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

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

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2023 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by 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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 4. 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 period is as follows:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Disaggregation by major products or services lines		
Sales of building materials		
– Gypsum block	3,184	14,372
– Wooden flooring	567	759
– Others	51	371
Revenue from provision of construction and engineering services		
– Gypsum block	21,825	38,200
– Wooden flooring	26,931	60,387
– Others	4,233	3,875
	<b>56,791</b>	<b>117,964</b>

#### Disaggregation of the Group's revenue by timing of recognition

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
At a point in time	3,802	15,502
Over time	52,989	102,462
	<b>56,791</b>	<b>117,964</b>

All revenue are generated in Hong Kong for both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### Segment revenues and results

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

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

- Sales of building materials – trading of 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 six months ended 30 September 2023 (Unaudited)*

	Sales of building materials HK\$'000	Construction contracts HK\$'000	Total HK\$'000
Segment revenue			
External sales	3,802	52,989	56,791
Segment profit	1,608	826	2,434
Unallocated income			405
Unallocated corporate expenses			(17,206)
Unallocated finance costs			(2,489)
Loss before taxation			(16,856)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

*For the six months ended 30 September 2022 (Unaudited)*

	Sales of building materials HK\$'000	Construction contracts HK\$'000	Total HK\$'000
Segment revenue			
External sales	15,502	102,462	117,964
Segment profit	5,270	8,628	13,898
Unallocated income			3,110
Unallocated corporate expenses			(18,814)
Unallocated finance costs			(1,203)
Loss before taxation			(3,009)

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 certain 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### Segment assets and liabilities

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

#### Segment assets

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Sales of building materials	1,869	3,074
Construction contracts	99,298	127,942
Total segment assets	101,167	131,016
Unallocated corporate assets	99,876	100,142
Total assets	201,043	231,158

#### Segment liabilities

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Sales of building materials	1,990	3,860
Construction contracts	21,323	28,929
Total segment liabilities	23,313	32,789
Unallocated corporate liabilities	65,530	69,286
Total liabilities	88,843	102,075

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

- only contract assets and trade receivables are allocated to operating segments; and
- only contract liabilities, trade and bills payables and retention monies payables are allocated to operating segments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 5. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	189	30
Government grant ( <i>Note</i> )	–	1,800
Net foreign exchange gain	–	308
Interest income from deposits paid for life insurance policies	131	121
Storage fee and transportation income	12	703
Others	73	148
	<b>405</b>	<b>3,110</b>

*Note:* During the six months ended 30 September 2022, the Group recognised government grants of approximately HK\$1,800,000 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 grants.

### 6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	2,465	1,196
Interest expenses on lease liability	24	7
	<b>2,489</b>	<b>1,203</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 7. INCOME TAX EXPENSES

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	30	59
Deferred taxation	(3)	(45)
	27	14

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 six months ended 30 September 2023 and 2022, 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 were taxed at the flat rate of 16.5%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	1,185	1,476
Depreciation of right-of-use assets	578	335
Amortisation of prepayment paid for life insurance policies	4	4
Loss on write-off of property, plant and equipment	–	2
Impairment loss on contract assets	336	359
Net foreign exchange loss (gain)	37	(308)
Expense relating to short-term leases	145	124
Amount of inventories recognised as an expense	3,526	12,564

### 9. DIVIDEND

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Dividend paid		
2022 final dividend – HK0.5 cents per ordinary shares	–	4,000

No dividend was proposed during the six months ended 30 September 2023, nor has any dividend been proposed by the board of directors since the end of the interim period (six months ended 30 September 2022: nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 10. 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:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share, representing loss for the period attributable to the owners of the Company	16,883	3,023
	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000 shares)	800,000	800,000

The diluted loss per share is the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 September 2023 and 2022.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group has spent approximately HK\$238,000 on leasehold improvement (six months ended 30 September 2022: approximately HK\$402,000 on leasehold improvement and acquisition of office equipment).

### 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

No new lease arrangements for buildings were entered during the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$2,735,000 on new lease agreements for buildings).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 13. TRADE RECEIVABLES

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables	14,438	40,037
Less: allowance for impairment loss on trade receivables	(1,835)	(1,835)
	<b>12,603</b>	38,202

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, at the end of the reporting period.

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Within 30 days	4,060	33,526
31 to 60 days	960	2,341
61 to 90 days	607	713
Over 90 days	6,976	1,622
	<b>12,603</b>	38,202

Before accepting any new customer, the Group uses internal credit approval procedures to assess the potential customer's credit quality and defines credit limits for each customer.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated collectively by using a provision matrix by reference to historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during both periods in assessing the loss allowance for trade receivables.

The movement in the allowance for impairment of trade receivables is set out below:

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (Audited)</b>
At beginning of the reporting period	<b>1,835</b>	1,732
Increase during the period/year	<b>-</b>	103
At the end of the reporting period	<b>1,835</b>	1,835

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 14. CONTRACT ASSETS AND CONTRACT LIABILITIES

#### (a) Contract assets

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Analysed as current:		
Retention monies receivables	<b>32,998</b>	32,250
Less: allowance for impairment loss recognised on retention monies receivables	<b>(2,609)</b>	(2,389)
	<b>30,389</b>	29,861
Unbilled revenue	<b>59,194</b>	63,856
Less: allowance for impairment loss of unbilled revenue	<b>(1,019)</b>	(903)
	<b>58,175</b>	62,953
	<b>88,564</b>	92,814

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet claimed because the right to receive the consideration is conditional upon satisfaction by the customers on the contract work completed by the Group. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payment over the construction period once certain stages are reached. Retention monies receivables, in relation to the construction contract works, represented certain percentage of progress payments made to the Group of up to 10% of the value of works done from each progress payment withheld by the customers as retention money, subject to a maximum of 5% of the total contract value. Half of the retention money is released to the Group upon or soon after certification of the final progress payment application by customers, and the remaining half is usually released to the Group upon the end of the retention period, which would normally take place one to two years from the date of certification of the final progress payment application or the completion of the entire project by the main contractor, depending on the terms of the contract between the Group and its customers and the satisfaction of service quality by customers over certain period as stipulated in the contract.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The ECL on certain contract assets are estimated collectively by using a provision matrix by reference to historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The ECL on remaining contract assets are estimated individually for customers with significant balances.

There has been no change in the estimation techniques or significant assumptions made during both periods in assessing the loss allowance of contract assets.

The movement in the allowance for impairment of contract assets is set out below:

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (Audited)</b>
At beginning of the reporting period	<b>3,292</b>	3,178
Increase during the period/year	<b>336</b>	367
Write-off	<b>-</b>	(253)
At the end of the reporting period	<b>3,628</b>	3,292

### (b) Contract liabilities

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2023 HK\$'000 (Audited)</b>
Analysed as current:		
Receipt in advance	<b>7,205</b>	7,405
Billing in advance	<b>671</b>	1,100
	<b>7,876</b>	8,505

Contract liabilities represent advance from customers in respect of sale of goods and construction contract. In general, the Group receives certain percentage of the contract sum when it enters into the agreements depending on the negotiation with individual customers. These advances are recognised as contract liabilities until the services are rendered.

Revenue recognised during the six months ended 30 September 2023 that was included in the contract liabilities as at 1 April 2023 is approximately HK\$1,261,000 (year ended 31 March 2023: HK\$4,884,000). There was no revenue recognised in the current period that related to performance obligations that were satisfied in a prior period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 15. TRADE AND BILLS PAYABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade payables	6,098	10,385
Bills payables	6,914	11,115
	<b>13,012</b>	21,500

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Within 30 days	7,274	12,959
31 to 90 days	5,024	7,548
91 to 180 days	440	719
Over 180 days	274	274
	<b>13,012</b>	21,500

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

### 16. BANK BORROWINGS

The Group has raised the bank borrowings of approximately HK\$43,000,000 (six months ended 30 September 2022: HK\$42,000,000) and repaid the bank borrowings of approximately HK\$45,907,000 (six months ended 30 September 2022: HK\$35,196,000) respectively during the six months ended 30 September 2023.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2022, 31 March 2023 and 30 September 2023	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 April 2022, 31 March 2023 and 30 September 2023	800,000,000	8,000

### 18. SHARE-BASED PAYMENT TRANSACTIONS

#### Equity-settled share option scheme of the Company

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

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

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

No share options have been granted for the six months ended 30 September 2023 and 2022.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 September 2023

### 19. RELATED PARTY TRANSACTIONS

#### Compensation of key management personnel

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

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	3,908	3,746
Post-employment benefits	27	28
	<b>3,935</b>	3,774

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

### 20. PERFORMANCE BONDS

At the end of reporting period, the Group had provided the following guarantees:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Guarantees in respect of performance bonds in favour of its customers	12,680	14,700

### 21. CONTINGENT LIABILITIES

At 30 September 2023, the Group has been involved in a litigation and potential claim against the Group in relation to work-related injury.

In the opinion of the directors of the Company, as insurance policy has been adopted by the main contractor to cover potential loss, the litigation and potential claim are not expected to have a material impact on the consolidated financial statements. Accordingly, no provision has been made to the consolidated financial statements for the six months ended 30 September 2023.