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 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 March	
	2021	2020
Revenue	**HK$311.8 million**	HK$157.0 million
Gross profit	**HK$48.8 million**	HK$15.8 million
Net profit/(loss) after taxation	**HK$11.3 million**	(HK$23.8 million)
Basic earnings/(loss) per share	**HK cents 1.41**	(HK cents 2.98)
Final dividend per share	**HK cent 1.00**	—

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 2021, together with comparative figures of the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*3*	**311,754**	157,046
Cost of sales and services		**(262,938)**	(141,254)
Gross profit		**48,816**	15,792
Other income	*4*	**3,629**	1,947
Selling and distribution expenses		**(8,797)**	(8,717)
Administrative expenses		**(30,911)**	(31,014)
Finance costs		**(1,625)**	(1,678)
Profit (loss) before taxation		**11,112**	(23,670)
Income tax credit (expenses)	*5*	**188**	(150)
Profit (loss) and total comprehensive income (expense) for the year attributable to the owners of the Company	*6*	**11,300**	(23,820)
Earnings (loss) per share:			
Basic and diluted *(HK cents)*	*8*	**1.41**	(2.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Non-current assets			
Property, plant and equipment		**55,067**	24,028
Right-of-use asset		**571**	1,000
Prepayment and deposits paid for life insurance policies		**5,936**	5,710
Deposits, prepayments and other receivables		**111**	111
		61,685	30,849
Current assets			
Inventories		**10,814**	6,041
Contract assets		**74,611**	77,405
Trade receivables	*9*	**32,383**	14,356
Deposits, prepayments and other receivables		**4,128**	14,833
Tax recoverable		**—**	2,751
Pledged bank deposits		**8,088**	8,078
Bank balances and cash		**41,618**	59,328
		171,642	182,792
Current liabilities			
Trade and bills payables	*10*	**28,338**	11,570
Contract liabilities		**3,395**	8,426
Retention monies payables		**4,110**	3,774
Accrual and other payables		**4,279**	2,056
Bank borrowings		**35,897**	41,396
Lease liability		**433**	424
Tax payable		**35**	—
		76,487	67,646
Net current assets		**95,155**	115,146
Total assets less current liabilities		**156,840**	145,995
Non-current liabilities			
Deferred tax liability		**146**	168
Lease liability		**147**	580
		293	748
		156,547	145,247
Capital and reserves			
Share capital	*11*	**8,000**	8,000
Reserves		**148,547**	137,247
		156,547	145,247

Notes:

1. GENERAL INFORMATION

Twintek Investment Holdings Limited ("**the Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is also Helios Enterprise Holding Limited, 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.

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 Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRSs**") and the following 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to Hong Kong Accounting Standard ("**HKAS**") 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the 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 periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year and concluded that such acquisition is not accounted for as a business.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and Related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
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[5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
2021 Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[6]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.
6 Effective for annual periods beginning on or after 1 April 2021.

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

3. REVENUE AND SEGMENT INFORMATION

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or services lines		
Sales of building materials		
• Gypsum block	**19,717**	8,825
• Wooden flooring	**18,949**	5,163
• Others	**4,425**	1,398
Revenue from provision of construction and engineering services		
• Gypsum block	**77,294**	10,453
• Wooden flooring	**160,958**	109,174
• Others	**30,411**	22,033
	311,754	157,046

Disaggregation of the Group's revenue by timing of recognition

	2021	2020
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**43,091**	15,386
Over time	**268,663**	141,660
Total revenue from contract with customers	**311,754**	157,046

Segment revenues and results

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

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

— Sales of building materials — trading of building materials; and

— Construction contracts — provision of construction and engineering services.

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

For the year ended 31 March 2021

	Sales of building materials *HK$'000*	Construction contracts *HK$'000*	Total *HK$'000*
Segment revenue			
External sales	**43,091**	**268,663**	**311,754**
Segment profit	**13,757**	**35,881**	**49,638**
Unallocated income			**2,807**
Unallocated corporate expenses			**(39,708)**
Unallocated finance costs			**(1,625)**
Profit before taxation			**11,112**

For the year ended 31 March 2020

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

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 certain 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:

	2021 *HK$'000*	2020 *HK$'000*
Customer A[1, 2]	**62,558**	21,164
Customer B[1]	**90,868**	31,130
Customer C[1, 2]	**N/A***	17,513

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

	2021 *HK$'000*	2020 *HK$'000*
Bank interest income	**172**	249
Interest income from deposits paid for life insurance policies	**234**	258
Net foreign exchange gain	**—**	206
Royalty income	**—**	805
Reversal of impairment loss recognised on trade receivables	**553**	90
Reversal of impairment loss recognised on contract assets	**269**	—
Reversal of written off on prepayment	**105**	—
Gain on disposal of property, plant and equipment	**83**	—
Government grant *(note)*	**1,708**	50
Compensation from employee injury claims	**505**	—
Others	**—**	289
	3,629	1,947

Note: During the year 31 March 2021, the Group recognised government grants of approximately HK$1,708,000 in respect of COVID-19-related subsidies under the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund (2020: Balances represents "Construction Industry Anti-epidemic Fund" received from Construction Industry Council. The government grant from Construction Industry Council is one-off). There are no unfulfilled conditions and other contingencies attached to the government grant.

5. INCOME TAX (CREDIT) EXPENSES

	2021	2020
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**39**	—
Under-provision in prior years	**—**	39
Deferred taxation	**(227)**	111
	(188)	150

For the year ended 31 March 2020, 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%, entities of the Group in Hong Kong do not qualify for the two-tiered profits tax rates regime. For the year ended 31 March 2021, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward for the other entity of the Group. Tax losses carried forward amount to approximately HK$9,756,000.

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

6. PROFIT (LOSS) FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**5,266**	4,922
Other staff costs	**12,279**	11,788
Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments)	**427**	420
Total staff costs	**17,972**	17,130
Auditor's remuneration	**1,034**	1,033
Depreciation of property, plant and equipment	**2,391**	1,708
Depreciation of right-of-use asset	**429**	250
Net foreign exchange loss	**150**	—
Impairment loss recognised on trade receivables	**—**	621
Impairment loss recognised on contract assets	**—**	779
Written off on prepayment	**—**	815
Amortisation of prepayment paid for life insurance policies	**8**	7
Expense relating to short-term lease under HKFRS 16	**782**	1,010
Amount of inventories recognised as an expense	**42,308**	9,311

7. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2020.

Subsequent to the end of the reporting period, a final dividend of HK1.0 cent in respect of the year ended 31 March 2021 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. EARNINGS (LOSS) PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share, representing profit (loss) for the year attributable to the owners of the Company	**11,300**	(23,820)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share *('000 shares)*	**800,000**	800,000

The diluted earnings (loss) per share is the same as the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2021 and 2020.

9. TRADE RECEIVABLES

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

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**33,777**	16,345
Less: allowance for impairment loss of trade receivables	**(1,394)**	(1,989)
	32,383	14,356

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, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**23,358**	846
31 to 60 days	**5,620**	3,212
61 to 90 days	**971**	3,902
Over 90 days	**2,434**	6,396
	32,383	14,356

10. TRADE AND BILLS PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**19,434**	9,199
Bills payables	**8,904**	2,371
	28,338	11,570

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

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**17,334**	6,273
31 to 90 days	**8,161**	4,291
91 to 180 days	**2,574**	811
Over 180 days	**269**	195
	28,338	11,570

The average credit period on purchases of goods ranged from 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 2021 and 2020 represented the share capital of the Company.

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	800,000,000	8,000

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 and drywall partition products; (iii) interior composite panel lining, in particular, SPC wall panels; (iv) woodwork products; and (v) roof tiles.

During the year ended 31 March 2021, the Hong Kong economy has been under the cloud of the COVID-19 pandemic and US-China trade war and continues to face a gloomy outlook. The Group observed an increased number of competitors bidding for new projects at aggressive prices. However, despite the challenges brought by the economic downturn and COVID-19 pandemic, the industry has benefitted from favourable government policies such as the cap on the value of properties eligible for mortgage loans up to 90% loan-to-value ratio being raised from HK$4 million to HK$8 million for first-time home buyers. As a result of such policies, the number of properties completed in 2020 has rebounded, especially in Pak Shek Kok, Tseung Kwan O and Eastern Kowloon where the Group has been awarded several projects. Hence, the Group recorded an increase in revenue and net profit to approximately HK$311.8 million and HK$11.3 million for the year ended 31 March 2021, respectively, compared to revenue and net loss of HK$157.0 million and HK$23.8 million for the year ended 31 March 2020, respectively.

In addition, a change in the main contractors of one of the Group's major construction contracts in 2018 has resulted in a delay in the project schedule, though the Group's engagement in this project, in particular the scope of work and contract sum, remain the same. Such project has resumed in early April 2020 and is progressing well. As at 31 March 2021, the project is in the final stage of completion.

To cope with the keen competition and to maintain its market share, the Group continued to improve the technicality of its gypsum block installation system, so as to facilitate compliance with its enhanced construction standards. The Group remains well-positioned to take on potential business opportunities brought by the 10-Year Hospital Development Plan as detailed in the Chief Executive's 2016 Policy Address. As disclosed in the annual report 2020 of the Group, the Group has been awarded one project under the 10-Year Hospital Development Plan with a contract sum of approximately HK$109.3 million for the supply and installation of over 100,000 square meters of gypsum block products. Such project has commenced in November 2020 and under the current work progress, it is expected to be completed in late 2021. In addition to the potential projects under the 10-Year Hospital Development Plan, the Group has also received several tender invitations for other public utilities projects. 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 building material specifications nowadays.

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. These products started to penetrate the market in 2020 and are especially well-suited to the latest industry trend which requiring faster construction. During the year ended 31 March 2021, the Group has completed a large scaled hospital project for the supply and installation of over 20,000 square meters 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.

Moreover, the Group has started 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 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 material projects. The Group's total revenue increased by approximately HK$154.8 million, or approximately 98.5%, from approximately HK$157.0 million for the year ended 31 March 2020 to approximately HK$311.8 million for the year ended 31 March 2021. During the year ended 31 March 2020, the government announced its intention to introduce a property vacancy tax on first-hand private residential properties, which slowed down the construction progress of residential properties. In late 2019, the Chief Executive announced in the Chief Executive's 2019 Policy Address that the cap on the value of the properties eligible for a mortgage loan of maximum cover of 90% loan-to-value ratio would be raised from HK$4 million to HK$8 million for first-time home buyers under the Mortgage Insurance Programme of the HKMC Insurance Limited. In light of this favourable government policy, developers have accelerated the construction progress of residential properties. Moreover, certain projects which had been temporarily suspended under the COVID-19 pandemic in late January 2020 had gradually resumed. With the combined effect of the above, the number of completed private residential properties has rebounded during the year ended 31 March 2021. Despite the keen competition from competitors with aggressive pricing strategies, the Group's effort in securing several projects with considerable contract sum has resulted in a significant increase in revenue.

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

	For the year ended 31 March			
	2021		2020	
	HK$ million	*%*	*HK$ million*	*%*
Construction contracts	**268.7**	**86.2**	141.6	90.2
Sales of building materials	**43.1**	**13.8**	15.4	9.8
Total	**311.8**	**100.0**	157.0	100.0

Construction contracts

Property developers have speeded up the construction progress and number of private residential properties completed has increased for the year ended 31 March 2021, which overall resulted in an increase in revenue generated from provision of construction and engineering services by approximately HK$127.1 million, or approximately 89.7%, from approximately HK$141.6 million for the year ended 31 March 2020 to approximately HK$268.7 million for the year ended 31 March 2021. In particular, a project which has fallen behind schedule due to a change in main contractors in 2018 has resumed in April 2020 and contributed over HK$40 million revenue to the Group. The Group has also completed a project in supply and installation of over 20,000 square meters of SPC wall panels and over 12,000 square meters of gypsum blocks, and generated revenue over HK$30 million during the financial year.

Sales of building materials

With the proven quality of the Group's gypsum block products, sales of gypsum block products rebounded significantly from approximately HK$8.8 million for the year ended 31 March 2020 to approximately HK$19.7 million for the year ended 31 March 2021, representing an increase of approximately 123.4%. Apart from this, two wooden flooring projects have further contributed revenue of approximately HK$18.4 million for the year ended 31 March 2021. As a result, the overall sales of building materials increased by approximately HK$27.7 million, or approximately 180.1%, from approximately HK$15.4 million for the year ended 31 March 2020 to approximately HK$43.1 million for the year ended 31 March 2021.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$262.9 million for the year ended 31 March 2021, representing an increase of approximately 86.1% (2020: approximately HK$141.3 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.5% (2020: approximately 98.7%) of the Group's total cost of sales and services for the year ended 31 March 2021.

The Group's material costs mainly comprises wooden flooring materials and gypsum block materials. The Group recorded an increase in material costs under cost of sales and services by approximately 85.3% for the year ended 31 March 2021, which was generally in line with the increase in revenue for the year ended 31 March 2021. The increase in material costs for the year ended 31 March 2021 was mainly derived from gypsum block materials, which has increased by approximately 313.7% and in line with the increase in revenue generated from gypsum block materials projects for the year ended 31 March 2021.

The Group recorded an increase in subcontracting costs under cost of sales and services by approximately 86.5% for the year ended 31 March 2021. As the Group has placed considerable effort in cost control, the increase in subcontracting costs charged on projects was generally less than the increase in revenue generated from provision of construction and engineering services.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$33.0 million, or approximately 209.1%, from approximately HK$15.8 million for the year ended 31 March 2020 to approximately HK$48.8 million for the year ended 31 March 2021, and the Group's gross profit margin increased from approximately 10.1% for the year ended 31 March 2020 to approximately 15.7% for the year ended 31 March 2021.

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 increase in the Group's gross profit margin was attributable to the increase in proportion of the Group's revenue generated from sales of building material. In general, the gross profit margin of sales of building material projects is higher than that of the provision of construction and engineering services, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of provision of construction and engineering services. Given that the proportion of revenue contribution from sales of building materials projects increased from approximately 9.8% to 13.8% of the Group's total revenue for the year ended 31 March 2021, the Group's overall gross profit margin increased accordingly.

Other Income

With the receipt of wages subsidies of approximately HK$1.7 million from the Employment Support Scheme under the Anti-epidemic Fund launched by the government, despite no royalty income was generated during the year ended 31 March 2021 as compared to royalty income of approximately HK$0.8 million for the year ended 31 March 2020, the Group's other income increased significantly by approximately HK$1.7 million, or approximately 86.4%, from approximately HK$1.9 million for the year ended 31 March 2020 to approximately HK$3.6 million for the year ended 31 March 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised business development expenses, transportation expenses and storage expenses. The total selling and distribution expenses incurred remained at approximately HK$8.8 million for the year ended 31 March 2021.

Administrative Expenses

The Group's administrative expenses slightly decreased by approximately HK$0.1 million, or approximately 0.3%, from approximately HK$31.0 million for the year ended 31 March 2020 to approximately HK$30.9 million for the year ended 31 March 2021. Staff cost has increased by approximately HK$0.8 million, as the average number of staff has been increased during the year ended 31 March 2021, and offset by no written off of prepayment to a supplier for the year ended 31 March 2021 (2020: approximately HK$0.8 million).

Finance Costs

The Group's finance costs slightly decreased by approximately HK$0.1 million, or approximately 3.2%, from approximately HK$1.7 million for the year ended 31 March 2020 to approximately HK$1.6 million for the year ended 31 March 2021, as the effective interest rate decreased during the year ended 31 March 2021.

Income Tax Credit/(Expenses) and Effective Tax Rate

The Group's income tax expenses switched from approximately HK$0.2 million for the year ended 31 March 2020 to income tax credit of approximately HK$0.2 million for the year ended 31 March 2021. The Group had accumulated tax losses to offset the assessable profits for the year ended 31 March 2021 and hence the income tax exposure is minimal.

Net Profit/(Loss) and Net Profit Margin

The Group's net profit turnaround from net loss of approximately HK$23.8 million for the year ended 31 March 2020 to net profit of approximately HK$11.3 million for the year ended 31 March 2021. The increase in net profit was mainly due to increases in revenue and gross profit as mentioned above.

The Group's net profit margins were approximately 3.6% and negative 15.2% for the year ended 31 March 2021 and 2020 respectively, and the increase in net profit margin was mainly due to reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

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

Total equity and net current assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 31 March 2021 was approximately HK$156.5 million (2020: approximately HK$145.2 million).

As at 31 March 2021, the Group's net current assets were approximately HK$95.2 million (2020: approximately HK$115.1 million).

Cash and cash equivalents

As at 31 March 2021, the Group had cash and cash equivalents of approximately HK$41.6 million (2020: approximately HK$59.3 million).

Bank borrowings

As at 31 March 2021, the Group had bank borrowings of approximately HK$35.9 million carried at floating interest rate (2020: approximately HK$41.4 million carried at floating interest rate).

Key financial ratios

	2021	2020
Gearing ratio	**23.3%**	29.2%
Current ratio	**2.2**	2.7

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, borrowings and the net proceeds received by the Company through the listing of its shares on the Main Board of the Stock Exchange in January 2018.

PLEDGE OF ASSETS

As at 31 March 2021, the Group's banking facilities were secured by properties with net carrying amount of approximately HK$52.7 million (2020: approximately HK$21.6 million) and pledged bank deposits of approximately HK$8.1 million (2020: approximately HK$8.1 million).

CAPITAL EXPENDITURE

During the year ended 31 March 2021, the Group acquired items of property, plant and equipment of approximately HK$33.4 million (2020: approximately HK$0.2 million).

CONTINGENT LIABILITIES

The Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2021, the Group's contingent liabilities in relation to performance bonds were approximately HK$10.4 million (2020: approximately HK$7.7 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 March 2021 (2020: 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.

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$74.6 million as at 31 March 2021 represents the maximum exposure to credit risk in relation to contract assets. 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 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 2021 to ensure impairment loss provided is adequate.

Subsequent to 31 March 2021 and up to 31 May 2021, approximately 26.1% of contract assets as at 31 March 2021 have been settled.

Customer concentration risk

During the year ended 31 March 2021, the Group's five largest customers in aggregate accounted for approximately 73.5% (2020: approximately 59.1%) of the Group's total revenue. The largest customer accounted for approximately 29.1% (2020: approximately 19.8%) 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.

Uncertainties in business environment

The reporting period has been a time of unprecedented changes in Hong Kong's social, political and economic environments which have created negative impact on many business sectors of the local economy including, inevitably, the construction and property development sectors. With the outbreak of the COVID-19 pandemic, the economy was severely disrupted by several waves of COVID-19 pandemic shutdowns. Even with the supportive government policies, such policies are one-off. The Group and its industry peers will face continued uncertainties in the Hong Kong market, as well as continued challenges from aggressive competition and rises in labour costs. Amidst this unusually adverse business landscape, the Group may continue to be adversely affected in terms of profitability and liquidity.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, including executive Directors, the Group had 34 full-time employees and 2 part-time employees (2020: 32 full-time employees and 1 part-time employee). The total staff costs incurred by the Group for the year ended 31 March 2021 were approximately HK$17.9 million (2020: approximately HK$17.1 million). The increase in staff costs was mainly due to increase 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.

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

On 27 August 2020, the Group entered into the a sale and purchase agreement with Mr. Lo Wing Cheung and Ms. Fung Pik Mei, the executive Directors (the "**Vendors**"), pursuant to which the Group has agreed to purchase, and the Vendors have agreed to sell 100% equity interest of Sun Warm Holding Company Limited ("**Sun Warm**") at a consideration of HK$32,300,000. As at the date of this announcement, the acquisition has completed. For further details of the acquisition, please refer to the announcement of the Company dated 27 August 2020 (the "**Announcement**") and the circular of the Company dated 22 September 2020 (the "**Circular**").

Save as the acquisition disclosed above, the Group had no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2021. Save as disclosed under the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**") and under the section headed "Use of net proceeds from the Listing" in this announcement, there was no other plans for material investments or capital assets as at 31 March 2021.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing will be utilised in accordance with the proposed applications set out under the section headed "Future plans and use of proceeds" in the Prospectus. The table below sets out the proposed applications of the net proceeds and actual usage up to 31 March 2021:

Planned Use of net proceeds (as disclosed in the Prospectus)	**Original allocation of net proceeds (as disclosed in the Prospectus)**	**Utilised net proceeds as at 31 March 2020**	**Unutilised net proceeds as at 31 March 2020**	**Actual usage during the six months ended 30 September 2020**	**Unutilised net proceeds as at 30 September 2020**	**Re-allocation of unutilised net proceeds *(Note 1)***	**Actual usage during the six months ended 31 March 2021**	**Unutilised net proceeds as at 31 March 2021**	**Expected amounts to be utilised for the year ending 31 March 2022**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Acquiring a property as a warehouse, workshop and showroom *(Note 1)*	29.9	—	29.9	—	29.9	32.3	32.3	—	—
Repayment of bank borrowings	27.8	27.8	—	—	—	—	—	—	—
Expanding capacity to undertake more projects	14.0	9.3	4.7	4.7	—	1.6	1.6	—	—
Expanding and strengthening the manpower	7.4	3.8	3.6	1.0	2.6	2.6	1.3	1.3	1.3
Refurbishment of the offices	5.1	3.9	1.2	—	1.2	—	—	—	—
Upgrading the information technology and project management systems	2.8	—	2.8	—	2.8	—	—	—	—
General working capital	9.4	9.4	—	—	—	—	—	—	—
Total	96.4	54.2	42.2	5.7	36.5	36.5	35.2	1.3	1.3

Note 1: As disclosed above, the Group entered into a sale and purchase agreement with the Vendors on 27 August 2020 for the acquisition of Sun Warm at a consideration of HK$32,300,000. The main asset of Sun Warm is a property located at Unit No. 06 and storeroom on 8th Floor, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong (the "**Property**"). As disclosed in the Announcement and the Circular, the net proceeds of HK$29.9 million allocated for acquiring a property (as disclosed in the Prospectus) would be used to finance the acquisition of Sun Warm. Since the Property is already renovated and its information technology and project management systems remain in good condition, the acquisition of Sun Warm rendered the planned use of net proceeds towards the refurbishment of offices and upgrading of information technology and project management systems (as disclosed in the Prospectus) unnecessary. As disclosed in the Announcement and the Circular, such net proceeds has therefore be reallocated towards financing the remainder of the consideration and expanding the Group's capacity to undertake more projects. The Group intends to apply the unutilised net proceeds in accordance with the table above.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities during the year ended 31 March 2021.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from provision A.2.1 of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules as disclosed below, the Company has adopted the CG Code as the Group's corporate governance practices. In the opinion of the Directors, the Company has complied with the applicable code provisions under the CG Code for the year ended 31 March 2021 except the following:

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to the executive Directors, non-executive Director and independent non-executive Directors, who have confirmed that they have complied with the Model Code for the year ended 31 March 2021.

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 2021 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 2021, including the accounting principles and practices adopted by the Group and recommended to the Board for approval.

DIVIDEND

The Board has recommended the declaration of a final dividend of HK1.0 cent per share for the year ended 31 March 2021 (2020: Nil) to the shareholders of the Company. The proposed final dividend, subject to approval by the shareholders of the Company, is expected to be paid on Monday, 20 September 2021 to shareholders whose names shall appear on the Register of Members on Monday, 6 September 2021.

No interim dividend was paid or proposed for the year ended 31 March 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") to be held on Tuesday, 24 August 2021, the register of members of the Company will be closed from Thursday, 19 August 2021 to Tuesday, 24 August 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 18 August 2021.

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from Friday, 3 September 2021 to Monday, 6 September 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 2 September 2021.

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 2021 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 2021.

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

Hong Kong, 25 June 2021

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