TWINTEK INVESTMENT HOLDINGS LIMITED

乙德投資控股有限公司

INTERIM REPORT 2021/22

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wan Ho Yin

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Chau 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
Level 54, Hopewell Centre
183 Queen's Road East
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

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

During the six months ended 30 September 2021, as pandemic containment has become broadly stable in Hong Kong and various governments made progress with vaccination programs, construction works have been resumed to normal level. Hong Kong's economy started to recover steadily, and the overall market outlook was expected to be positive. The Group generally continued noting signs of improvement, and recorded an increase in revenue and net profit to approximately HK$164.3 million and HK$9.1 million for the six months ended 30 September 2021, respectively, compared to revenue and net profit of HK$152.7 million and HK$6.5 million for the six months ended 30 September 2020, respectively.

The Group noted the increasing competition on timber flooring products with competitor's aggressive pricing strategy, and the number of private residential properties expected to be completed in 2021 would be dropped as compared to 2020, according to the data from the Rating and Valuation Department. In addition, following the completion of several residential projects in Pak Shek Kok, Tseung Kwan O and eastern Kowloon and a major construction project in last financial year, the commencement dates of several new timber flooring projects awarded have been slightly delayed. The above factors hindered the performance of timber flooring projects for the six months ended 30 September 2021.

The Group kept up the efforts to improve the technicality of its gypsum block installation system, so as to facilitate compliance with its enhanced construction standards to maintain its competitiveness. The Group remains well-positioned to take on the potential business opportunities brought by the 10-Year Hospital Development Plan as detailed in the Chief Executive's 2016 Policy Address. As disclosed in the annual report 2021 of the Group, the Group has been awarded a 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 contributed revenue of approximately HK$38.3 million for the six months ended 30 September 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 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 and is well-suited to the latest industry trend requiring faster construction. After completing a large scaled hospital project for the supply and installation of over 20,000 square meters of SPC wall panels in early 2021, the Group is well-prepared to take part in other large scaled projects in the future. 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 kept exploring the fitout sector so as to fully utilise its interior installation experience and to achieve vertical integration and diversification of its business segments. The Group has so far received positive response from its customers.

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

FINANCIAL REVIEW

Revenue

The Group's revenue was generated from two segments: (i) construction contracts; and (ii) sales of building material. The Group's total revenue increased by approximately HK$11.6 million, or approximately 7.6%, from approximately HK$152.7 million for the six months ended 30 September 2020 to approximately HK$164.3 million for the six months ended 30 September 2021. Despite keen competition from competitors with aggressive pricing strategies, the Group kept its effort in securing several 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			
	2021		2020	
	HK$ million	**%**	HK$ million	%
Construction contracts	**127.4**	**77.5**	131.8	86.3
Sales of building materials	**36.9**	**22.5**	20.9	13.7
Total	**164.3**	**100.0**	152.7	100.0

Construction contracts

The Group's revenue generated from construction contracts remained similar at approximately HK$127.4 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK$131.8 million). During the six months ended 30 September 2021, despite the revenue generated from timber flooring projects has decreased over 50% due to the abovementioned reasons, two gypsum block projects, including the project under the 10-Year Hospital Development Plan which contributed revenue of approximately HK$64.2 million, offset the decrease in revenue generated from timber flooring projects.

Sales of building materials

The Group's revenue generated from sales of building materials increased significantly by approximately HK$16.0 million, or approximately 76.6%, from approximately HK$20.9 million for the six months ended 30 September 2020 to approximately HK$36.9 million for the six months ended 30 September 2021. Despite the abovementioned keen competition, with the proven quality of the Group's gypsum block products, revenue recorded from sales of gypsum block products rebounded from approximately HK$7.6 million for the six months ended 30 September 2020 to approximately HK$22.2 million for the six months ended 30 September 2021. A timber flooring project in Tseung Kwan O has further contributed revenue of approximately HK$11.1 million for the six months ended 30 September 2021.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$132.6 million for the six months ended 30 September 2021, slightly increased by approximately 2.6% (six months ended 30 September 2020: approximately HK$129.2 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.3% (six months ended 30 September 2020: approximately 99.1%) of the Group's total cost of sales and services for the six months ended 30 September 2021.

The Group's material costs mainly comprises timber flooring materials and gypsum block materials. Despite the Group recorded a decrease in material costs by approximately 5.3%, which was caused by the decrease in revenue generated by timber flooring projects owing to the above mentioned keen competition, several projects have been in final stage of completion and involved subcontractors in modifying defects and therefore the Group recorded an increase in subcontracting costs under cost of sales and services by approximately 15.4% for the six months ended 30 September 2021, and overall increase in cost of sales and services.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$8.2 million, or approximately 34.5%, from approximately HK$23.5 million for the six months ended 30 September 2020 to approximately HK$31.7 million for the six months ended 30 September 2021, and the Group's gross profit margin increased from approximately 15.4% for six months ended 30 September 2020 to approximately 19.3% for the six months ended 30 September 2021.

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 increasing 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 increase in the Group's gross profit margin was attributable to the increase in the proportion of the Group's revenue generated from sales of building material. In general, the gross profit margin of sales of building material is higher than that of construction contracts, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of construction contracts. Given that the sales of building materials has been increased significantly for the six months ended 30 September 2021 as compared to the six months ended 30 September 2020, the Group's gross profit margin increased accordingly.

Other Income

Other income for the six months ended 30 September 2021 mainly represents net exchange gain and interest income. With the decrease in reversal of impairment losses of approximately HK$0.6 million recorded for the six months ended 30 September 2021, the Group's other income decreased to approximately HK$0.3 million for the six months ended 30 September 2021, as compared to approximately HK$0.8 million for the six months ended 30 September 2020.

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 increased significantly by approximately HK$2.7 million, or approximately 92.1%, from approximately HK$2.9 million for the six months ended 30 September 2020 to approximately HK$5.6 million for the six months ended 30 September 2021. The surge is caused by the high ocean freight rates due to the ongoing impacts of the COVID-19 pandemic.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$2.3 million, or approximately 16.0%, from approximately HK$14.2 million for the six months ended 30 September 2020 to approximately HK$16.5 million for the six months ended 30 September 2021, which is mainly caused by the increase in staff costs of approximately HK$1.9 million, as the average number of staff and average monthly salary increased, and there were no wage subsidies received from the Employment Support Scheme under the first round of the Anti-epidemic Fund launched by the government for the six months ended 30 September 2021 (six months ended 30 September 2020: HK$0.9 million).

Finance Costs

With the combined effect of decrease in average bank borrowings and decrease in effective interest rate for the six months ended 30 September 2021, the Group's finance costs decreased by approximately HK$0.3 million, or approximately 39.0%, from approximately HK$0.9 million for the six months ended 30 September 2020 to approximately HK$0.6 million for the six months ended 30 September 2021.

Income Tax (Expenses) Credit

The Group's recorded an income tax expenses of approximately HK$0.1 million for the six months ended 30 September 2021, as compared to income tax credit of approximately HK$0.2 million for the six months ended 30 September 2020. During the six months ended 30 September 2021, the Group has utilised all accumulated tax losses to offset the assessable profits for the period and resulting in a minimal effective tax rate of 1.4%, as compared to the standard profits tax rate of 16.5%. No Hong Kong profits tax had been provided for the six months ended 30 September 2020, as the Group had accumulated tax losses to offset the assessable profits for that period.

Net Profit and Net Profit Margin

The Group recorded a net profit of approximately HK$9.1 million for the six months ended 30 September 2021, as compared to the net profit of approximately HK$6.5 million for the six months ended 30 September 2020. The increase in net profit was mainly attributed to the increase in revenue and gross profit as mentioned above.

The Group's net profit margin was approximately 5.6% and 4.3% for the six months ended 30 September 2021 and 2020, respectively, and such increase was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The Group 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 2021 was approximately HK$157.7 million (31 March 2021: approximately HK$156.5 million).

As at 30 September 2021, the Group's net current assets were approximately HK$97.1 million (31 March 2021: approximately HK$95.2 million).

Cash and cash equivalents

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK$23.4 million (31 March 2021: approximately HK$41.6 million).

Bank borrowings

As at 30 September 2021, the Group had borrowings of approximately HK$38.7 million carried at floating interest rates (31 March 2021: approximately HK$35.9 million carried at floating interest rates).

Key financial ratios

	30 September 2021	31 March 2021
Gearing ratio	**24.8%**	23.3%
Current ratio	**2.2**	2.2

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 (as defined below).

PLEDGE OF ASSETS

As at 30 September 2021, the Group's banking facilities were secured by properties with net carrying amount of approximately HK$51.9 million (31 March 2021: approximately HK$52.7 million) and pledged bank deposits of approximately HK$8.1 million (31 March 2021: approximately HK$8.1 million).

CONTINGENT LIABILITIES

The Group provided guarantee of performance bonds in its ordinary course of business. As at 30 September 2021, the Group's contingent liabilities in relation to performance bonds were approximately HK$12.8 million (31 March 2021: approximately HK$10.4 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 30 September 2021 (31 March 2021: 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$89.5 million as at 30 September 2021 represents the maximum exposure to credit risk in relation to contract assets (31 March 2021: HK$74.6 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 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 2021 to ensure impairment loss provided is adequate.

Subsequent to 30 September 2021 and up to 24 November 2021, approximately 13.4% of contract assets as at 30 September 2021 have been subsequently billed to the customers and approximately 2.6% of contract assets as at 30 September 2021 have been settled.

Customer concentration risk

During the six months ended 30 September 2021, the Group's five largest customers in aggregate accounted for approximately 69.4% (six months ended 30 September 2020: approximately 73.6%) of the Group's total revenue. The largest customer accounted for approximately 27.9% (six months ended 30 September 2020: approximately 32.8%) 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 a 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 30 September 2021, including executive Directors, the Group had 33 full-time employees and 2 part-time employees (31 March 2021: 34 full-time employees and 2 part-time employees). The total staff costs incurred by the Group for the six months ended 30 September 2021 were approximately HK$8.4 million (six months ended 30 September 2020: approximately HK$6.5 million). The increase in staff costs was mainly due to increase in average number of staff and average monthly salary, and the lack of one-off wage subsidies from the Employment Support Scheme for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK$0.9 million).

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.

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 2021.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on 17 January 2018 (the "**Listing**"). The net proceeds received by the Company from the Listing was approximately HK$96.4 million. The following table sets forth a breakdown of the use of net proceeds from the Listing:

Planned Use of net proceeds	Original allocation of net proceeds HK$ million	Revised allocation of unutilised net proceeds *(Note 1)* HK$ million	Actual usage during the six months ended 31 March 2021 HK$ million	Unutilised net proceeds as at 31 March 2021 HK$ million	Actual usage during the six months ended 30 September 2021 HK$ million	Unutilised net proceeds as at 30 September 2021 HK$ million	Expected amounts to be utilised for the 6 months ended 31 March 2022 HK$ million
Acquiring a property as a warehouse, workshop and showroom	29.9	32.3	32.3	–	–	–	–
Repayment of bank borrowings	27.8	–	–	–	–	–	–
Expanding capacity to undertake more projects	14.0	1.6	1.6	–	–	–	–
Expanding and strengthening the manpower	7.4	2.6	1.3	1.3	1.1	0.2	0.2
Refurbishment of the offices	5.1	–	–	–	–	–	–
Upgrading the information technology and project management systems	2.8	–	–	–	–	–	–
General working capital	9.4	–	–	–	–	–	–
Total	96.4	36.5	35.2	1.3	1.1	0.2	0.2

Note 1: As disclosed in the announcement of the Company dated 27 August 2020 (the "**Announcement**") and the circular of the Company dated 22 September 2020 (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 Holding Company Limited ("**Sun Warm**"). 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**"). 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, 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 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 September 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**"). Mr. Lo is currently the chairman of the board of directors of the Company (the "**Board**") and the CEO, responsible for strategic planning and managing of the Group's overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group's development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors ("**INEDs**"). Further, the Audit Committee of the Company (the "**Audit Committee**"), which consists of three INEDs and one non-executive Director, has free and direct access to the Company's external auditors and independent professional advisers when they consider 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 2021.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2021, the Group has been involved in a litigation and potential claim against the Group in relation to a work-related injury. In the opinion of the Directors, 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 Group's results of operations and financial position. Save as the above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2021 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 2021 have been reviewed by the Audit Committee. The Audit Committee 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK0.75 cents per share (six months ended 30 September 2020: nil) payable to those Shareholders whose names appear on the Company's register of members on Wednesday, 15 December 2021. The dividend is expected to be paid to the Shareholders on Tuesday, 28 December 2021.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 15 December 2021, will be eligible for the interim dividend. The transfer books and the register of members of the Company will be closed from Tuesday, 14 December 2021 to Wednesday, 15 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 Monday, 13 December 2021.

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

As at 30 September 2021, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "**Shares**"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held	Percentage of shareholding
Mr. Lo	Interest in a controlled corporation *(Note)*	588,000,000	73.5%
Ms. Fung Pik Mei ("**Ms. Fung**")	Interest in a controlled corporation *(Note)*	588,000,000	73.5%
Mr. Wan Ho Yin	Beneficial owner	88,000	0.01%

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

Save as disclosed above, as at 30 September 2021, 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:

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

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

Save as disclosed above, as at 30 September 2021, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

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

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

Hong Kong, 26 November 2021

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE BOARD OF DIRECTORS OF TWINTEK INVESTMENT HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Twintek Investment Holdings Limited (the "**Company**") and its subsidiaries set out on pages 24 to 44, which comprise the condensed consolidated statement of financial position as at 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes.

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

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

Hong Kong
26 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Revenue	*4*	**164,269**	152,727
Cost of sales and services		**(132,597)**	(129,179)
Gross profit		**31,672**	23,548
Other income	*5*	**288**	844
Selling and distribution expenses		**(5,641)**	(2,937)
Administrative expenses		**(16,518)**	(14,240)
Finance costs	*6*	**(553)**	(907)
Profit before taxation		**9,248**	6,308
Income tax (expenses)/credit	*7*	**(130)**	168
Profit and total comprehensive income for the period attributable to the owners of the Company	*8*	**9,118**	6,476
Earnings per share:			
Basic and diluted (HK cents)	*10*	**1.14**	0.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**54,324**	55,067
Right-of-use asset		**357**	571
Prepayment and deposits paid for life insurance policies		**6,054**	5,936
Deposits		**—**	111
		60,735	61,685
Current assets			
Inventories		**8,071**	10,814
Contract assets	*13*	**89,538**	74,611
Trade receivables	*12*	**37,778**	32,383
Deposits, prepayments and other receivables		**10,673**	4,128
Pledged bank deposits		**8,092**	8,088
Bank balances and cash		**23,418**	41,618
		177,570	171,642
Current liabilities			
Trade and bills payables	*14*	**28,042**	28,338
Contract liabilities	*13*	**3,847**	3,395
Retention monies payables		**4,322**	4,110
Accrual and other payables		**5,076**	4,279
Bank borrowings	*15*	**38,706**	35,897
Lease liability		**364**	433
Tax payable		**83**	35
		80,440	76,487

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2021

	Note	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Net current assets		**97,130**	95,155
Total assets less current liabilities		**157,865**	156,840
Non-current liabilities			
Deferred tax liability		**200**	146
Lease liability		**–**	147
		200	293
		157,665	156,547
Capital and reserves			
Share capital	*16*	**8,000**	8,000
Reserves		**149,665**	148,547
		157,665	156,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK$'000	Share premium HK$'000 *(Note i)*	Capital reserve HK$'000 *(Note ii)*	Retained profits HK$'000	Total HK$'000
At 1 April 2021 (Audited)	**8,000**	**103,940**	**5,024**	**39,583**	**156,547**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**9,118**	**9,118**
Dividend paid *(Note 9)*	**–**	**(8,000)**	**–**	**–**	**(8,000)**
At 30 September 2021 (Unaudited)	**8,000**	**95,940**	**5,024**	**48,701**	**157,665**
At 1 April 2020 (Audited)	8,000	103,940	5,024	28,283	145,247
Profit and total comprehensive income for the period	–	–	–	6,476	6,476
At 30 September 2020 (Unaudited)	8,000	103,940	5,024	34,759	151,723

Notes:

i) Share premium represented the difference between the par value of the share issued and the deemed consideration for the reorganisation. It also includes the share premium arising from the issuance of the shares upon listing of the Company, net of share issuance costs.

ii) 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 2021

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(11,504)**	(2,163)
NET CASH USED IN INVESTING ACTIVITIES	**(736)**	(284)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(5,960)**	3,074
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(18,200)**	627
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**41,618**	59,328
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	**23,418**	59,955

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 ("**Helios**"), a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei. The address of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands and the principal place of business of the Company is at Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

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

The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the 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 2021 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**").

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 2021 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 2021:

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregation by major products or services lines		
Sales of building materials		
— Gypsum block	**22,169**	7,641
— Wooden flooring	**13,665**	11,218
— Others	**1,081**	2,048
Revenue from provision of construction and engineering services		
— Gypsum block	**73,972**	18,720
— Wooden flooring	**52,257**	109,604
— Others	**1,125**	3,496
	164,269	152,727

Disaggregation of the Group's revenue by timing of recognition

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
At a point in time	**36,915**	20,907
Over time	**127,354**	131,820
Total revenue from contract with customers	**164,269**	152,727

All revenue are generated in Hong Kong for both periods.

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 six months ended 30 September 2021 (Unaudited)

	Sales of building materials HK$'000	Construction contracts HK$'000	Total HK$'000
Segment revenue			
External sales	36,915	127,354	164,269
Segment profit	13,828	17,791	31,619
Unallocated income			269
Unallocated corporate expenses			(22,087)
Unallocated finance costs			(553)
Profit before taxation			9,248

For the six months ended 30 September 2020 (Unaudited)

	Sales of building materials HK$'000	Construction contracts HK$'000	Total HK$'000
Segment revenue			
External sales	20,907	131,820	152,727
Segment profit	5,384	18,510	23,894
Unallocated income			385
Unallocated corporate expenses			(17,064)
Unallocated finance costs			(907)
Profit before taxation			6,308

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.

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 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Sales of building materials	**8,190**	6,758
Construction contracts	**119,126**	100,236
Total segment assets	**127,316**	106,994
Unallocated corporate assets	**110,989**	126,333
Total assets	**238,305**	233,327

Segment liabilities

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Sales of building materials	**6,187**	6,433
Construction contracts	**30,024**	29,410
Total segment liabilities	**36,211**	35,843
Unallocated corporate liabilities	**44,429**	40,937
Total liabilities	**80,640**	76,780

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.

5. OTHER INCOME

	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Bank interest income	**4**	163
Net foreign exchange gain	**109**	—
Interest income from deposits paid for life insurance policies	**121**	117
Reversal of impairment loss on trade receivables	**—**	459
Reversal of impairment loss on contract assets	**19**	—
Reversal of impairment loss on prepayments	**—**	105
Others	**35**	—
	288	844

6. FINANCE COSTS

	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Interest expenses on bank borrowings	**548**	897
Interest expenses on lease liability	**5**	10
	553	907

7. INCOME TAX EXPENSES (CREDIT)

	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	**76**	—
Deferred taxation	**54**	(168)
	130	(168)

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 2021, Hong Kong Profits Tax of 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%.

No provision for Hong Kong Profits Tax had been made for the six months ended 30 September 2020 as the Group has accumulated tax losses to offset the assessable profits for the period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**1,479**	935
Depreciation of right-of-use asset	**214**	214
Net foreign exchange (gain)/loss	**(109)**	238
Impairment loss/(reversal of impairment loss) on trade receivables	**72**	(459)
Amortisation of prepayment paid for life insurance policies	**3**	4
(Reversal of impairment loss)/impairment loss on contract assets	**(19)**	113
Expense relating to short-term lease	**—**	468
Amount of inventories recognised as an expense	**30,432**	17,180

9. DIVIDEND

During the current interim period, a final dividend of HK1.0 cent per share in respect of the financial year ended 31 March 2021 amounting to a total of HK$8,000,000 was approved and paid to shareholders on 20 September 2021. Such dividend was paid out of the Company's share premium.

Subsequent to 30 September 2021, the board of directors of the Company has resolved to declare an interim dividend of HK0.75 cents per share, amounting to a total of HK$6,000,000 for the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2021	2020
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share, representing profit for the period attributable to the owners of the Company	**9,118**	6,476

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**800,000**	800,000

The diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 September 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group has spent approximately HK$736,000 on acquisition of a motor vehicle and office equipment (six months ended 30 September 2020: approximately HK$444,000 on acquisition of furniture, fixture and office equipment).

12. TRADE RECEIVABLES

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Trade receivables	**39,244**	33,777
Less: impairment loss on trade receivables	**(1,466)**	(1,394)
	37,778	32,383

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Within 30 days	**18,154**	23,358
31 to 60 days	**10,982**	5,620
61 to 90 days	**4,476**	971
Over 90 days	**4,166**	2,434
	37,778	32,383

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

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 in assessing the loss allowance for trade receivables as at 30 September 2021 and 31 March 2021.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
At beginning of the reporting period	**1,394**	1,989
Increase during the period/year	**72**	—
Reversal of impairment losses	**—**	(553)
Written off	**—**	(42)
At the end of the reporting period	**1,466**	1,394

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Analysed as current:		
Retention monies receivables	**30,407**	24,559
Less: Impairment loss on retention monies receivables	**(1,980)**	(1,951)
	28,427	22,608
Amounts due from customers for contract work	**61,208**	52,148
Less: Impairment loss on amounts due from customers for contract work	**(97)**	(145)
	61,111	52,003
	89,538	74,611

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of work. The contract assets are transferred to trade receivables when the rights become unconditional. Upon completion of work and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The ECL on part of 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 customer with significant balances.

There has been no change in the estimation techniques or significant assumptions made in assessing the loss allowance for contract assets as at 30 September 2021 and 31 March 2021.

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
At beginning of the reporting period	**2,096**	2,365
Reversal of impairment losses during the period/year	**(19)**	(269)
At the end of the reporting period	**2,077**	2,096

Note:

The Group had recognised a reversal of impairment losses on not credit impaired contract assets of approximately HK$19,000 (31 March 2021: HK$269,000) during the six months ended 30 September 2021 as the customers' credit ratings have been improved.

(b) Contract liabilities

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Analysed as current:		
Receipt in advance	**1,556**	3,067
Amounts due to customers for contract work	**2,291**	328
	3,847	3,395

Contract liabilities represent (i) advance from customers in respect of sale of goods and construction contract. In general, the Group receives certain percentage of the contract sum when enter the agreements depends on the negotiation with individual customers. These deposits are recognised as contract liabilities until the services are rendered; and (ii) amounts due to customers for contract work represents the net amount of costs incurred plus recognised profit less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Revenue recognised during the six months ended 30 September 2021 that was included in the contract liabilities as at 1 April 2021 is approximately HK$1,939,000 (31 March 2021: HK$6,739,000). There was no revenue recognised in the current period that related to performance obligations that were satisfied in a prior period.

14. TRADE AND BILLS PAYABLES

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Trade payables	**17,111**	19,434
Bills payables	**10,931**	8,904
	28,042	28,338

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Within 30 days	**11,192**	17,334
31 to 90 days	**13,292**	8,161
91 to 180 days	**3,297**	2,574
Over 180 days	**261**	269
	28,042	28,338

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.

15. BANK BORROWINGS

The Group has raised the bank borrowings of approximately HK$50,500,000 (six months ended 30 September 2020: HK$22,000,000) and repaid the bank borrowings of approximately HK$47,691,000 (six months ended 30 September 2020: HK$17,808,000) respectively during the six months ended 30 September 2021.

16. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	**2,000,000,000**	**20,000**
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021	**800,000,000**	**8,000**

17. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

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

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

No share options have been granted for the six months ended 30 September 2021 and 2020.

18. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Sun Warm Holding Company Limited ("**Sun Warm**") *(note i)*	Rental expenses *(note ii)*	–	468

Notes:

(i) Sun Warm is directly owned by the executive directors of the Company during the six months ended 30 September 2020. On 19 October 2020, Sun Warm was acquired by the Group and become a wholly-owned subsidiary of the Group.

(ii) During the six months ended 30 September 2020, Sun Warm leased a property to the Group for a lease term of one year, before Sun Warm was acquired by the Group and become a wholly-owned subsidiary of the Group.

(b) **Compensation of key management personnel**

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

	Six months ended 30 September 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Short-term benefits	3,643	3,087
Post-employment benefits	45	45
	3,688	3,132

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.

19. PERFORMANCE BOND

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

	As at 30 September 2021 HK$'000 (Unaudited)	As at 31 March 2021 HK$'000 (Audited)
Guarantees in respect of performance bonds in favour of its customers	**12,815**	10,456

20. EVENT AFTER REPORTING PERIOD

Subsequent to 30 September 2021, 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 condensed consolidated financial statements.