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 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 March	
	2023	2022
Revenue	**HK$189.4 million**	HK$337.4 million
Gross profit	**HK$15.1 million**	HK$56.1 million
Net (loss) profit after taxation	**(HK$23.2 million)**	HK$13.7 million
Basic (loss) earnings per share	**(HK cents 2.90)**	HK cents 1.72

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 2023, together with comparative figures of the corresponding period in 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Revenue	3	**189,429**	337,372
Cost of sales and services		**(174,307)**	(281,250)
Gross profit		**15,122**	56,122
Other income	4	**4,189**	4,318
Selling and distribution expenses		**(5,269)**	(9,257)
Administrative expenses		**(33,829)**	(34,530)
Finance costs		**(3,396)**	(1,323)
(Loss) profit before taxation		**(23,183)**	15,330
Income tax expenses	5	**(23)**	(1,588)
(Loss) profit and total comprehensive (expense) income for the year attributable to the owners of the Company	6	**(23,206)**	13,742
(Loss) earnings per share:			
Basic and diluted *(HK cents)*	8	**(2.90)**	1.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**51,028**	53,479
Right-of-use assets		**1,965**	143
Prepayment and deposits paid for life insurance policies		**6,416**	6,172
Deposits, prepayments and other receivables		**235**	–
		59,644	59,794
Current assets			
Inventories		**3,432**	5,836
Contract assets		**92,814**	117,478
Trade receivables	9	**38,202**	30,859
Deposits, prepayments and other receivables		**1,780**	2,405
Tax recoverable		**2,233**	–
Pledged bank deposits		**8,279**	8,096
Bank balances and cash		**24,774**	28,223
		171,514	192,897
Current liabilities			
Trade and bills payables	10	**21,500**	31,142
Contract liabilities		**8,505**	6,506
Retention monies payables		**2,784**	4,154
Accrual and other payables		**2,591**	4,610
Bank borrowings		**64,526**	48,512
Lease liabilities		**1,152**	146
Tax payable		**–**	1,093
		101,058	96,163
Net current assets		**70,456**	96,734
Total assets less current liabilities		**130,100**	156,528
Non-current liabilities			
Deferred tax liability		**191**	239
Lease liabilities		**826**	–
		1,017	239
		129,083	156,289
Capital and reserves			
Share capital	11	**8,000**	8,000
Reserves		**121,083**	148,289
		129,083	156,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1. GENERAL INFORMATION

Twintek Investment Holdings Limited ("**the Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 January 2018. Its ultimate and immediate holding company is Helios Enterprise Holding Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling parties are Mr. Lo Wing Cheung and Ms. Fung Pik Mei. The addresses of the registered office of the Company is PO Box 309, Ugland House, Grand Cayman KY1-1104, the Cayman Islands and the principal place of business of the Company is Room 806, 8/F., Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are investment holding, sales of building materials and provision of construction and engineering services.

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

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

In the current year, the Group has applied, for its first time, the following 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of 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 years and/or on the disclosures set out in these consolidated financial statements.

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 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to 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[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

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

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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" issued in 2020 (the "**2020 Amendments**") clarify the requirements for classifying liabilities as current or non-current. Amendments to HKAS 1 "Non-current Liabilities with Covenants" issued in 2022 (the "**2022 Amendments**") further clarify the requirements for classification of non-current liabilities with covenants. The amendments specify that if an entity's right to defer settlement of a liability is subject to entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered as settlement of a liability.

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

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

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

3. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	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	**22,142**	32,807
– Wooden flooring	**1,178**	14,422
– Others	**931**	1,295
Revenue from provision of construction and engineering services		
– Gypsum block	**47,135**	164,129
– Wooden flooring	**101,665**	114,857
– Others	**16,378**	9,862
	189,429	337,372

Disaggregation of the Group's revenue by timing of recognition

	2023	2022
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**24,251**	48,524
Over time	**165,178**	288,848
Total revenue from contract with customers	**189,429**	337,372

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 segments.

For the year ended 31 March 2023

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

For the year ended 31 March 2022

	Sales of building materials *HK$'000*	Construction contracts *HK$'000*	Total *HK$'000*
Segment revenue			
External sales	48,524	288,848	337,372
Segment profit	16,906	37,796	54,702
Unallocated income			4,318
Unallocated corporate expenses			(42,367)
Unallocated finance costs			(1,323)
Profit before taxation			15,330

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, finance costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Information about major customers

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

	2023	2022
	HK$'000	*HK$'000*
Customer A[1,2]	**60,591**	130,585
Customer B[1,2]	**40,503**	54,570

1 Revenue from construction contracts segment

2 Revenue from sales of building materials segment

4. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**198**	8
Interest income from deposits paid for life insurance policies	**252**	243
Net foreign exchange gain	**228**	1,216
Government grant *(note)*	**1,987**	–
Storage fee	**1,317**	2,816
Compensation from employee injury claims	**54**	–
Others	**153**	35
	4,189	4,318

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

5. INCOME TAX EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**64**	1,515
Under-provision (over-provision) in prior years	**7**	(20)
Deferred taxation	**(48)**	93
	23	1,588

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. For the years ended 31 March 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

6. (LOSS) PROFIT FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	**6,109**	5,903
Other staff costs	**12,801**	12,832
Contribution to defined contribution retirement benefits scheme (excluding directors' and chief executive's emoluments)	**432**	438
Total staff costs	**19,342**	19,173
Auditor's remuneration	**915**	1,060
Depreciation of property, plant and equipment	**2,888**	2,918
Depreciation of right-of-use assets	**913**	428
Impairment loss recognised on trade receivables	**103**	338
Impairment loss recognised on contract assets	**367**	1,082
Loss on write-off of property, plant and equipment	**2**	1
Expense relating to short-term lease	**270**	238
Amount of inventories recognised as an expense	**20,286**	48,462

7. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividends paid during the year:		
2021 Final dividends – HK1.0 cent per ordinary share	**–**	8,000
2022 Final dividends – HK0.5 cents per ordinary share	**4,000**	–
2022 Interim dividends – HK0.75 cents per ordinary share	**–**	6,000
	4,000	14,000

No dividend was proposed for the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: final dividends of HK0.5 cents per ordinary share, in aggregate amount of HK$4,000,000).

8. (LOSS) EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share, representing (loss) profit for the year attributable to owners of the Company	**(23,206)**	13,742

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share *('000 shares)*	**800,000**	800,000

The diluted (loss) earnings per share is the same as the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding for the years ended 31 March 2023 and 2022.

9. TRADE RECEIVABLES

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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**40,037**	32,591
Less: allowance for impairment loss of trade receivables	**(1,835)**	(1,732)
	38,202	30,859

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

The following is an aging analysis of trade receivables, net of allowance for impairment loss of trade receivables, presented based on the invoice dates, at the end of the reporting period.

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**33,526**	18,063
31 to 60 days	**2,341**	10,311
61 to 90 days	**713**	653
Over 90 days	**1,622**	1,832
	38,202	30,859

10. TRADE AND BILLS PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**10,385**	14,225
Bills payables	**11,115**	16,917
	21,500	31,142

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

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**12,959**	13,018
31 to 90 days	**7,548**	10,471
91 to 180 days	**719**	7,384
Over 180 days	**274**	269
	21,500	31,142

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

11. SHARE CAPITAL

The share capital as at 31 March 2023 and 2022 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 2021, 31 March 2022, 1 April 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	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.

The economy of Hong Kong was hit hard by the prolonged impact of COVID-19 pandemic, increasing borrowing costs and inflation. During the year ended 31 March 2023, the Group faced several challenges including but not limited to delays and temporary suspension to projects, and tightened budget from main developers. In addition, the Group observed an increased number of competitors and their aggressive pricing strategies in bidding for new projects. As a result, the Group recorded a decrease in revenue to approximately HK$189.4 million, and a net loss of approximately HK$23.2 million for the year ended 31 March 2023, as compared to revenue and net profit of approximately HK$337.4 million and HK$13.7 million for the year ended 31 March 2022, respectively.

The Group noted the increasing competition on timber flooring products with its competitors' aggressive pricing strategies. In addition, the commencement dates and work programmes of several newly awarded timber flooring projects have been slightly delayed due to the prolonged impact of COVID-19 pandemic in Hong Kong. Hence, the Group's revenue generated from timber flooring projects for the year ended 31 March 2023 has been slightly decreased.

The 10-Year Hospital Development Plan contained in the 2016 Policy Address of the Chief Executive would continue to be the key footprint for the Group to pursue in its business development. Having considered the stringent requirements related to hospitals construction projects, the Group kept up the efforts to improve the technicality of its gypsum block installation system, so as to facilitate compliance with the enhanced construction standards to maintain its competitiveness. In previous years, the Group's efforts have been proven successful by its completion of several large-scale hospital projects in both private and public sectors. Going onward, the Group trusts it remains well-positioned to take on further potential business opportunities brought by the 10-Year Hospital Development Plan, the implementation of which is being robustly driven by the Hong Kong Government. As of now, the Group has been awarded a Community Health Centre construction project under the 10-Year Hospital Development Plan in supply of and installing around 20,000 square meters of gypsum block products, and awarded another supply and installation project in constructing a health centre of a private hospital. For public utilities project, the Group has completed a supply of gypsum block products for a public utilities project, and has been awarded another public utilities project in supply of around 5,000 square meters of gypsum block products during the year ended 31 March 2023. These are remarkable steps for the Group to demonstrate its high-quality work to developers. 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 addition, in May 2023, the Environmental Protection Department has issued a Practice Note on application of sound insulation in residential buildings to reduce noise transmission between units. This would be an advantage of the Group's German gypsum block products, which met the requirements set forth in the Practice Note.

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 upcoming challenges in the fast-changing environment and maintain its leading position among industry players to achieve satisfactory results in the future.

FINANCIAL REVIEW

Revenue

The Group's revenue was generated from two segments: (i) construction contracts, i.e. provision of construction and engineering services; and (ii) sales of building materials. The Group's total revenue decreased by approximately HK$148.0 million, or approximately 43.9%, from approximately HK$337.4 million for the year ended 31 March 2022 to approximately HK$189.4 million for the year ended 31 March 2023. Owing to keen competition from competitors with aggressive pricing strategies and tightened budget from main developers, the average contract sum for newly awarded contracts decreased resulting in a drop in revenue.

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

	For the year ended 31 March			
	2023		2022	
	HK$ million	***%***	*HK$ million*	*%*
Construction contracts	**165.2**	**87.2**	288.9	85.6
Sales of building materials	**24.2**	**12.8**	48.5	14.4
Total	**189.4**	**100.0**	337.4	100.0

Construction Contracts

The Group's revenue generated from construction contracts has been decreased from approximately HK$288.9 million for the year ended 31 March 2022 to approximately HK$165.2 million for the year ended 31 March 2023, representing a decrease of approximately HK$123.7 million or approximately 42.8%. As the two major gypsum block projects, including the project under the 10-Year Hospital Development Plan, were in final stage of completion during the year ended 31 March 2022, revenue generated from these two projects have been decreased by approximately HK$112.0 million during the year ended 31 March 2023.

Sales of Building Materials

The Group's revenue generated from sales of building materials decreased by approximately HK$24.3 million, or approximately 50.1%, from approximately HK$48.5 million for the year ended 31 March 2022 to approximately HK$24.2 million for the year ended 31 March 2023. With the completion of a supply of timber flooring project during the year ended 31 March 2022, revenue generated from sales of timber flooring has been decreased by approximately HK$13.2 million. Owing to keen competition and tighten budget of main developers, contract sum for projects awarded decreased. Hence, revenue recorded from sales of gypsum block products decreased from approximately HK$32.8 million for the year ended 31 March 2022 to approximately HK$22.1 million for the year ended 31 March 2023.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$174.3 million for the year ended 31 March 2023, decreased by approximately 38.0% (2022: approximately HK$281.3 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 98.4% (2022: approximately 98.2%) of the Group's total cost of sales and services for the year ended 31 March 2023.

The Group's material costs mainly comprises wooden flooring materials and gypsum block materials. The Group recorded a decrease in material costs under cost of sales and services by approximately 43.6% for the year ended 31 March 2023, which was generally in line with the decrease in revenue for the year ended 31 March 2023. The decrease in material costs for the year ended 31 March 2023 was mainly caused by the decrease in revenue generated from gypsum block materials during the year ended 31 March 2023.

The Group recorded an increase in subcontracting costs under cost of sales and services by approximately 56.5% for the year ended 31 March 2023. As additional costs were incurred towards the completion stage of certain supply and installation projects, the Group incurred additional subcontracting costs despite there is a decrease in revenue from construction contracts.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$41.0 million, or approximately 73.1%, from approximately HK$56.1 million for the year ended 31 March 2022 to approximately HK$15.1 million for the year ended 31 March 2023, and the Group's gross profit margin decreased from approximately 16.6% for the year ended 31 March 2022 to approximately 8.0% for the year ended 31 March 2023.

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 decrease in the Group's gross profit margin was attributable to the decrease in proportion of the Group's revenue generated from sales of building materials. In general, the gross profit margin of sales of building materials is higher than that of construction contracts, as the labour cost in Hong Kong is generally much higher than the material cost which lowers the gross profit margin of construction contracts. Given that the proportion of revenue contribution from sales of building materials decreased from approximately 14.4% to 12.8% of the Group's total revenue for the year ended 31 March 2023, the Group's overall gross profit margin decreased accordingly.

Other Income

The Group's other income remained similar at approximately HK$4.2 million for the year ended 31 March 2023 (2022: approximately HK$4.3 million). The Group's other income for the year ended 31 March 2023 mainly consist of wages subsidies of approximately HK$2.0 million from the Employment Support Scheme under the Anti-epidemic Fund launched by the government, one-off storage fee income of approximately HK$1.3 million, net exchange gain of approximately HK$0.2 million, and bank interest income of approximately HK$0.2 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly comprised transportation expenses, storage expenses and business development expenses. The total selling and distribution expenses decreased by approximately HK$4.0 million, or approximately 43.1%, from approximately HK$9.3 million for year ended 31 March 2022 to approximately HK$5.3 million for the year ended 31 March 2023. The decrease in selling and distribution expenses was in line with the decrease in revenue generated from the German-made gypsum block products.

Administrative Expenses

The Group's administrative expenses slightly decreased by approximately HK$0.7 million, or approximately 2.0%, from approximately HK$34.5 million for the year ended 31 March 2022 to approximately HK$33.8 million for the year ended 31 March 2023. The decrease in administrative expenses was mainly caused by the decrease in provision for impairment on assets of approximately HK$1.0 million as compared with the year ended 31 March 2022.

Finance Costs

With the dual effect of increase in interest rate and bank borrowings, the Group's finance costs increased by approximately HK$2.1 million, or approximately 156.7%, from approximately HK$1.3 million for the year ended 31 March 2022 to approximately HK$3.4 million for the year ended 31 March 2023.

Income Tax Expenses

The Group recorded a minimal income tax expense for the year ended 31 March 2023, as compared to income tax expenses of approximately HK$1.6 million for the year ended 31 March 2022, as the Group recorded net loss for the year ended 31 March 2023 and thus has minimal income tax exposure.

Net (Loss) Profit

The Group's net profit switched from approximately HK$13.7 million for the year ended 31 March 2022 to net loss of approximately HK$23.2 million for the year ended 31 March 2023. The decrease in net profit was mainly due to decrease in revenue and gross profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

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

Total Equity and Net Current Assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 31 March 2023 was approximately HK$129.1 million (2022: approximately HK$156.3 million).

As at 31 March 2023, the Group's net current assets were approximately HK$70.5 million (2022: approximately HK$96.7 million).

Cash and Cash Equivalents

As at 31 March 2023, the Group had cash and cash equivalents of approximately HK$24.8 million (2022: approximately HK$28.2 million).

Bank Borrowings

As at 31 March 2023, the Group had bank borrowings of approximately HK$64.5 million carried at floating interest rate (2022: approximately HK$48.5 million carried at floating interest rate).

Key financial ratios

	2023	2022
Gearing ratio	**51.5%**	31.1%
Current ratio	**1.7**	2.0

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

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

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations and bank borrowings.

PLEDGE OF ASSETS

As at 31 March 2023, the Group's banking facilities were secured by properties with net carrying amount of approximately HK$49.4 million (2022: approximately HK$51.1 million), prepayment and deposits paid for life insurance policies of approximately HK$6.4 million (2022: approximately HK$6.2 million) and pledged bank deposits of approximately HK$8.3 million (2022: approximately HK$8.1 million).

CAPITAL EXPENDITURE

During the year ended 31 March 2023, the Group acquired items of property, plant and equipment of approximately HK$0.4 million (2022: approximately HK$1.3 million).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group was involved in a litigation and potential claim against the Group in relation to work-related injury. In the opinion of the Directors, the litigation and potential claim are not expected to have a material impact on the consolidated financial statements, as insurance policy has been adopted by main contractor to cover potential losses. Accordingly, no provision has been made to the consolidated financial statements for the year ended 31 March 2023.

In addition, the Group provided guarantee of performance bonds in its ordinary course of business. As at 31 March 2023, the Group's contingent liabilities in relation to performance bonds were approximately HK$14.7 million (2022: approximately HK$12.8 million).

CAPITAL COMMITMENTS

The Group has no capital commitment as at 31 March 2023 (2022: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Fluctuating Cash Flows Pattern

The Group may incur net cash outflows at the early stage of carrying out works when it is required to pay material costs and/or for subcontractors prior to receiving payment from customers. Customers will pay progress payments after works commenced and after such works have been certified by customers. Accordingly, the Group may experience net cash outflows to pay certain material costs and/or subcontractors' fees while the respective progress payments may not be received in the same periods. If during any particular period of time, there exists too many projects which require substantial cash outflows while the Group has significantly less cash inflows, the Group's cash flow position may be adversely affected.

Inaccurate Estimation on the Cost and Work Programme of Projects

As contracts from customers are normally awarded through successful tendering and acceptance of quotation offer, the Group needs to estimate the time and costs based on the tender documents or quotation requests provided by customers in order to determine the tender price or quotation. There is no assurance that the actual execution time and costs of the project would not exceed the Group's estimation.

The actual time taken and costs involved in completing contracts undertaken by the Group may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, additional variations to the work plans requested by customers, delays in obtaining any required permits or approvals, disputes with subcontractors or other parties, accidents, changes in Hong Kong government policies and customers' priorities and any other unforeseen problems and circumstances. Any of the aforementioned factors may give rise to delays in completion of works or cost overspend or even termination of projects by customers, which in turn may adversely affect the Group's profitability and liquidity.

Irregular Profit Margin

The Directors believe that the profit margin of each project significantly depends on various factors, such as the terms of the contracts, the length of the contractual period, scope of work, technical complexity, variation orders (if any), the efficiency of implementation of the contractual works and the general market conditions which are beyond the Group's control. As a result, the income flow and the profit margin of each project, which are largely dependent on the terms of the work contracts, may not be entirely regular and consistent and there is no assurance that the profitability of a project can be maintained or estimated at any level. If the profit margin of the project significantly deviates from the estimation of the Directors, the Group's financial position could be adversely affected.

Failure to Obtain New Projects

The Group provides materials and/or relevant installation services to customers generally on a project-by-project basis. The Group's revenue from projects is non-recurring in nature. It cannot be guaranteed that the Group will continue to secure new projects from customers after the completion of the existing awarded projects.

Currency Risk

Certain transactions of the Group are denominated in currencies which are different from the functional currency of the Group, namely, Hong Kong dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its cost of sales and services are generally denominated in Hong Kong dollars, USD and EUR. Payments received by the Group from its customers are mainly denominated in Hong Kong dollars. The Group continues to monitor closely its exposure to currency movement and may take proactive measures where necessary.

Interest Rate Risk

As at 31 March 2023, the Group had interest-bearing bank borrowings of approximately HK$64.5 million. The Group has not hedged against the respective interest rate risks. All of the Group's current interest-bearing bank borrowings have a floating interest rate. Should there be an increase in interest rate in the future, interest expenses of the Group may increase and cash flows and profitability of the Group may be adversely affected.

Credit Risk – Contract Assets

Contract assets represent a large portion of the Group's assets. The carrying amount of the Group's contract assets of approximately HK$92.8 million as at 31 March 2023 represents the maximum exposure to credit risk in relation to contract assets (2022: approximately HK$117.5 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 31 March 2023 to ensure impairment loss provided is adequate.

Subsequent to 31 March 2023 and up to 21 June 2023, approximately 26.1% of contract assets as at 31 March 2023 have been subsequently billed to the customers and approximately 17.0% of contract assets as at 31 March 2023 have been settled.

Customer Concentration Risk

During the year ended 31 March 2023, the Group's five largest customers in aggregate accounted for approximately 72.4% (2022: approximately 69.9%) of the Group's total revenue. The largest customer accounted for approximately 32.0% (2022: approximately 38.7%) 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. The economy was severely disrupted by prolonged COVID-19 pandemic. 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 rises in labour costs, and delay in materials delivery from the Group's suppliers. 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 2023, including executive Directors, the Group had 32 full-time employees and 2 part-time employees (2022: 32 full-time employees and 2 part-time employees). The total staff costs incurred by the Group for the year ended 31 March 2023 were approximately HK$19.3 million (2022: approximately HK$19.2 million). The increase in staff costs was mainly due to increase in average monthly salary.

Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The Group's employees are remunerated according to their job scope, responsibilities, and performance. Employees are also entitled to discretionary bonus depending on their respective performances and the profitability of the Group. Other staff benefits include the provision of retirement benefits and sponsorship of training courses.

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2023.

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 2023.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from code provision C.2.1 of the Corporate Governance Code (the "**CG Code**") set out in Appendix 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 2023 except the following:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. However, the roles of the Group's chairman and CEO are both performed by Mr. Lo Wing Cheung ("**Mr. Lo**"). Mr. Lo is currently the chairman of the Board and the CEO, responsible for strategic planning and management of the Group's overall business and operations. Mr. Lo has been responsible for the overall management of the Group since it was founded in 1980. The Board believes that the current management structure enables the Company to make and implement business decisions swiftly and effectively, which promotes the Group's development in line with its overall business direction. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired due to the diverse background and experience of the non-executive Director and independent non-executive Directors. 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 2023.

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 2023 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 2023, including the accounting principles and practices adopted by the Group and recommended to the Board for approval.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: HK0.5 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Monday, 21 August 2023, the register of members of the Company will be closed from Wednesday, 16 August 2023 to Monday, 21 August 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 15 August 2023.

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 2023 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 2023.

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

Hong Kong, 27 June 2023

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.