



TWINTEK INVESTMENT HOLDINGS LIMITED

乙德投資控股有限公司

INTERIM REPORT 2020/21

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

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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

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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 2020, the Hong Kong economy has been under the pressures of the COVID-19 pandemic and US-China trade war and continues to face a gloomy outlook. During the six months ended 30 September 2020, the Group also observed an increased number of competitors bidding for new projects at aggressive prices. However, despite the challenges brought by the economic downturn and COVID-19 pandemic, the industry has benefitted from favourable government policies such as the cap on the value of properties eligible for mortgage loans up to 90% loan-to-value ratio being raised from HK\$4 million to HK\$8 million for first-time home buyers. As a result of such policies, the number of properties completed in 2020 has rebounded, especially in Pak Shek Kok, Tseung Kwan O and Eastern Kowloon where the Group has been awarded several projects. Hence, the Group recorded an increase in revenue and net profit to approximately HK\$152.7 million and HK\$6.5 million for the six months ended 30 September 2020, respectively, compared to revenue and net loss of HK\$72.8 million and HK\$9.0 million for the six months ended 30 September 2019, respectively.

In addition, a change in the main contractors of one of the Group's major construction contracts in 2018 has resulted in a delay in the project schedule, though the Group's engagement in this project, in particular the scope of work and contract sum, remain the same. Such project has resumed in early April 2020 and is progressing well. As at 30 September 2020, over 50% of the contracted work has been completed and the project is expected to be completed in early 2021.

To cope with the keen competition and to maintain its market share, the Group continued to improve the technicality of its gypsum block installation system, so as to facilitate compliance with its enhanced construction standards. The Group remains well-positioned to take on 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 2020 of the Group, the Group has been awarded one project under the 10 Year Hospital Development Plan with a contract sum of approximately HK\$109.3 million for the supply and installation of over 100,000 square meters of gypsum block products. Such project has commenced in November 2020 and under the current work programme, it is expected to be completed in late 2021. In addition, the Group has received several tender invitations for projects under the 10 Year Hospital Development Plan. Given the risks presented by the COVID-19 pandemic, developers are likely to place more emphasis on the quality of gypsum block products, which could lead to greater business opportunities for the Group as it offers gypsum block products with eco-friendly and radiation protection features that are fit for the building material specifications of hospitals.

In 2019, the Group introduced several new products including interior composite panel lining, in particular, the SPC wall panel, a panel lining with anti-bacterial, eco-friendly properties, which provides a quicker and budgeted solution to the Group's customers compared to conventional installation methods. This product started to penetrate the market in 2020 and is especially well-suited to the latest industry trend requiring faster construction. Subsequent to 30 September 2020, the Group secured a project for the supply and installation of over 20,000 square meters of SPC wall panels. With an increasing awareness about public health and safety amidst the COVID-19 pandemic, the Group foresees an increase in demand for the anti-bacterial SPC wall panels from its customers.

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

Looking forward, the Group will continue to focus on its competitive edge. The Directors believe that the Group will benefit from the promising medium-to-long term outlook of the Hong Kong construction industry. In the long run, the Group will continue to use all endeavors to manage 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 projects. The Group's total revenue increased by approximately HK\$79.9 million, or approximately 109.8%, from approximately HK\$72.8 million for the six months ended 30 September 2019 to approximately HK\$152.7 million for the six months ended 30 September 2020. During the six months ended 30 September 2019, the government announced its intention to introduce a property vacancy tax on first-hand private residential properties, which slowed down the construction progress of residential properties. In late 2019, the Chief Executive announced in the Chief Executive's 2019 Policy Address that the cap on the value of the properties eligible for a mortgage loan of maximum cover of 90% loan-to-value ratio would be raised from HK\$4 million to HK\$8 million for first-time home buyers under the Mortgage Insurance Programme of the HKMC Insurance Limited. In light of this favourable government policy, developers have accelerated the construction progress of residential properties. Moreover, certain projects which had been temporarily suspended under COVID-19 pandemic in late January 2020 had gradually resumed. With the combined effect of the above, the number of completed private residential properties has rebounded during the six months ended 30 September 2020. Despite the keen competition from competitors with aggressive pricing strategies, the Group's effort in securing several projects with considerable contract sum has resulted in a significant increase in revenue.

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

	For the six months ended 30 September 2020		2019	
	HK\$ million	%	HK\$ million	%
Construction contracts	131.8	86.3	65.8	90.4
Sales of building materials	20.9	13.7	7.0	9.6
Total	152.7	100.0	72.8	100.0

Construction contracts

The Group's revenue generated from construction contracts increased by approximately HK\$66.0 million, or approximately 100.3%, from approximately HK\$65.8 million for the six months ended 30 September 2019 to approximately HK\$131.8 million for the six months ended 30 September 2020. As abovementioned, during the six months ended 30 September 2019, the intended introduction of a property vacancy tax on first-hand private residential properties slowed down the construction progress of residential properties. During the six months ended 30 September 2020, the number of private residential properties completed has rebounded as abovementioned, which resulted in an increase in the revenue generated from construction contracts for the six months ended 30 September 2020. In addition, a project which has fallen behind schedule due to a change in main contractors in 2018 has resumed in April 2020, which further boosted the revenue for the six months ended 30 September 2020.

Sales of building materials projects

The Group's revenue generated from sales of building materials projects increased by approximately HK\$13.9 million, or approximately 198.6%, from approximately HK\$7.0 million for the six months ended 30 September 2019 to approximately HK\$20.9 million for the six months ended 30 September 2020. 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\$3.9 million for the six months ended 30 September 2019 to approximately HK\$7.6 million for the six months ended 30 September 2020. In addition, a timber flooring project has further contributed revenue of approximately HK\$8.6 million for the six months ended 30 September 2020.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$129.2 million for the six months ended 30 September 2020, representing an increase of approximately 92.8% (six months ended 30 September 2019: approximately HK\$67.0 million). Cost of sales and services mainly comprised material costs and subcontracting costs, which together accounted for approximately 99.1% (six months ended 30 September 2019: approximately 98.5%) of the Group's total cost of sales and services for the six months ended 30 September 2020.

The Group's material costs mainly comprises timber flooring materials and gypsum block materials. The Group recorded an increase in material costs by approximately 143.0%, which was generally in line with the increase in revenue for the six months ended 30 September 2020.

The Group recorded an increase in subcontracting costs under cost of sales and services by approximately 42.3% for the six months ended 30 September 2020. As the Group has placed considerable effort in cost control, the increase in subcontracting costs charged on projects was generally less than the increase in revenue generated from construction contracts.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$17.7 million, or approximately 305.2%, from approximately HK\$5.8 million for the six months ended 30 September 2019 to approximately HK\$23.5 million for the six months ended 30 September 2020, and the Group's gross profit margin increased from approximately 8.0% for six months ended 30 September 2019 to approximately 15.4% for the six months ended 30 September 2020.

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

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

Other than the abovementioned factors, the increase in the Group's gross profit margin was attributable to the decrease in proportion of the Group's revenue generated from construction contracts. In general, the gross profit margin of sales of building material projects 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 2020 as compared to the six months ended 30 September 2019, the Group's gross profit margin increased accordingly.

Other Income

Other income for the six months ended 30 September 2020 mainly represents reversal of impairment losses of approximately HK\$0.6 million. With the decrease in royalty income of approximately HK\$2.4 million from one of the Group's branded timber products for a timber flooring project, the Group's other income decreased significantly by approximately HK\$1.8 million, or approximately 69.2%, from approximately HK\$2.6 million for the six months ended 30 September 2019 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 and storage expenses. The total selling and distribution expenses slightly increased by approximately HK\$0.2 million, or approximately 7.4%, from approximately HK\$2.7 million for the six months ended 30 September 2019 to approximately HK\$2.9 million for the six months ended 30 September 2020, which was mainly due to the increase in sales of building material projects.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$1.3 million, or approximately 8.4%, from approximately HK\$15.5 million for the six months ended 30 September 2019 to approximately HK\$14.2 million for the six months ended 30 September 2020, which is mainly caused by the decrease in staff costs as the Group received wage subsidies of approximately HK\$0.9 million from the Employment Support Scheme under the first round of the Anti-epidemic Fund launched by the government, and no impairment on trade receivables was incurred during the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$0.5 million).

Finance Costs

With the combined effect of the increase in average bank borrowings and decrease in effective interest rate for the six months ended 30 September 2020, the Group's finance costs slightly increased by approximately HK\$0.1 million, or approximately 12.5%, from approximately HK\$0.8 million for the six months ended 30 September 2019 to approximately HK\$0.9 million for the six months ended 30 September 2020.

Income Tax Credit

The Group's income tax credit decreased by approximately HK\$1.4 million, or approximately 87.5%, from approximately HK\$1.6 million for the six months ended 30 September 2019 to approximately HK\$0.2 million for the six months ended 30 September 2020. Such decrease was attributed to the turnaround effect from loss to profit for the six months ended 30 September 2020. No Hong Kong profits tax has been provided for the six months ended 30 September 2020, as the Group had accumulated tax losses to offset the assessable profits for the period.

Net Profit/(Loss) and Net Profit Margin

The Group recorded a net profit of approximately HK\$6.5 million for the six months ended 30 September 2020, up from a net loss of approximately HK\$9.0 million for the six months ended 30 September 2019. The turnaround from net loss to net profit was mainly attributed to the increase in revenue and gross profit as mentioned above.

The Group's net profit margin was approximately 4.3% and negative 12.4% for the six months ended 30 September 2020 and 2019, respectively, and such increase was mainly due to the reasons illustrated above.

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

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

Total equity and net current assets

The total equity of the Group mainly comprises share capital, share premium and reserves. The total equity of the Group as at 30 September 2020 was approximately HK\$151.7 million (31 March 2020: approximately HK\$145.2 million).

As at 30 September 2020, the Group's net current assets were approximately HK\$121.8 million (31 March 2020: approximately HK\$115.1 million).

Cash and cash equivalents

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK\$60.0 million (31 March 2020: approximately HK\$59.3 million).

Bank borrowings

As at 30 September 2020, the Group had borrowings of approximately HK\$45.6 million (31 March 2020: approximately HK\$41.4 million). As at 30 September 2020 and 31 March 2020, all of the Group's borrowings were at floating interest rates.

Key financial ratios

	30 September 2020	31 March 2020
Gearing ratio	30.6%	29.2%
Current ratio	2.5	2.7

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

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

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from business operations, borrowings and the net proceeds received by the Company through the Listing (as defined below).

PLEDGE OF ASSETS

As at 30 September 2020, the Group's banking facilities were secured by properties with net carrying amount of approximately HK\$21.2 million (31 March 2020: approximately HK\$21.6 million) and pledged bank deposits of approximately HK\$8.1 million (31 March 2020: approximately HK\$8.1 million).

CONTINGENT LIABILITIES

As at 30 September 2020, 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, the litigation and potential claim are not expected to have a material impact on the condensed consolidated financial statements, as insurance policy has been adopted by the main contractor to cover potential loss. Accordingly, no provision has been made to the condensed consolidated financial statements.

In addition, the Group provided guarantee of performance bonds in its ordinary course of business. As at 30 September 2020, the Group's contingent liabilities in relation to performance bonds were approximately HK\$12.6 million (31 March 2020: approximately HK\$7.7 million).

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 20 to the condensed consolidated financial statements.

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.

Uncertainties in business environment

The reporting period has been a time of unprecedented changes in Hong Kong's social, political and economic environments which have created negative impact on many business sectors of the local economy including, inevitably, the construction and property development sectors. With the outbreak of the COVID-19 pandemic, the already weakened general business sentiment took a further downturn on a global scale. Looking forward, the Group and its industry peers will face continued uncertainties in both the Hong Kong and Macau markets, as well as continued challenges from aggressive competition, rises in labour costs and shortages of experienced labour caused by travel restrictions between Hong Kong, Macau and the mainland China. 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 2020, the Group had 35 employees (including executive Directors), as compared to a total of 33 employees as at 31 March 2020. The total staff costs incurred by the Group for the six months ended 30 September 2020 were approximately HK\$6.5 million (six months ended 30 September 2019: approximately HK\$7.4 million). The decrease in staff costs was mainly due to wage subsidies received by the Group from the Employment Support Scheme launched by the government under the first round of the Anti-epidemic Fund of 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

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

Save as the acquisition disclosed above, the Group had no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2020. Save as disclosed under the section headed “Future plans and use of proceeds” in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”) and under the section headed “Use of net proceeds from the Listing” in this report, there was no other plans for material investments or capital assets as at 30 September 2020.

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 (as disclosed in the Prospectus)	Original	Utilised		Actual usage		Re-allocation of unutilised net proceeds (<i>Note 1</i>)	Expected	Expected
	allocation of	net proceeds	net proceeds	during the	net proceeds		amounts to	amounts to
	net proceeds (as disclosed in the Prospectus)	as at 31 March 2020	as at 31 March 2020	six months ended 30 September 2020	as at 30 September 2020		for the year ending 31 March 2021	for the year ending 31 March 2022
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Acquiring a property as a warehouse, workshop and showroom (<i>Note 1, 2</i>)	29.9	–	29.9	–	29.9	32.3	32.3	–
Repayment of bank borrowings	27.8	27.8	–	–	–	–	–	–
Expanding capacity to undertake more projects	14.0	9.3	4.7	4.7	–	1.6	1.6	–
Expanding and strengthening the manpower	7.4	3.8	3.6	1.0	2.6	2.6	1.3	1.3
Refurbishment of the offices	5.1	3.9	1.2	–	1.2	–	–	–
Upgrading the information technology and project management systems	2.8	–	2.8	–	2.8	–	–	–
General working capital	9.4	9.4	–	–	–	–	–	–
Total	96.4	54.2	42.2	5.7	36.5	36.5	35.2	1.3

Note 1: As disclosed above, the Group entered into a sale and purchase agreement with the Vendors on 27 August 2020 for the acquisition of Sun Warm at a consideration of HK\$32,300,000. The main asset of Sun Warm is a property located at Unit No. 06 and storeroom on 8th Floor, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong (the "**Property**"). As disclosed in the Announcement and the Circular, the net proceeds of HK\$29.9 million allocated for acquiring a property (as disclosed in the Prospectus) would be used to finance the acquisition of Sun Warm. Since the Property is already renovated and its information technology and project management systems remain in good condition, the acquisition of Sun Warm rendered the planned use of net proceeds towards the refurbishment of offices and upgrading of information technology and project management systems (as disclosed in the Prospectus) unnecessary. As disclosed in the Announcement and the Circular, such net proceeds would 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: As at the date of this interim report, the acquisition of Sun Warm was completed and approximately HK\$19.4 million (being 60% of the adjusted consideration to be paid at completion as disclosed in the Announcement and the Circular) out of the net proceeds have been utilised and approximately HK\$12.9 million (being 40% of the adjusted consideration) of net proceeds are planned to be utilised to pay the remaining consideration within 2 months after the completion, as disclosed in the Announcement and the Circular.

Note 3: 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 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from 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 2020 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 2020.

EVENTS AFTER THE REPORTING PERIOD

Save for the completion of the acquisition of Sun Warm on 20 October 2020, the Group is not aware of any material events affecting the Group which have occurred after the reporting period 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 2020 have been reviewed by the Audit Committee. The Audit Committee was satisfied that the unaudited condensed consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

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

As at 30 September 2020, 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 Wing Cheung (“ Mr. Lo ”)	Interest in a controlled corporation (<i>Note</i>)	588,000,000	73.5%
Ms. Fung Pik Mei (“ Ms. Fung ”)	Interest in a controlled corporation (<i>Note</i>)	588,000,000	73.5%

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 2020, 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 2020, 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 2020



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

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 page 25 to 46, which comprise the condensed consolidated statement of financial position as at 30 September 2020 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 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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For the six months ended 30 September 2020

	Notes	Six months ended	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	152,727	72,794
Cost of sales and services		(129,179)	(66,979)
Gross profit		23,548	5,815
Other income	5	844	2,640
Selling and distribution expenses		(2,937)	(2,660)
Administrative expenses		(14,240)	(15,488)
Finance costs	6	(907)	(836)
Profit/(loss) before taxation		6,308	(10,529)
Income tax credit	7	168	1,556
Profit/(loss) and total comprehensive income (expense) for the period attributable to the owners of the Company	8	6,476	(8,973)
Earnings/(loss) per share:			
Basic and diluted (HK cents)	10	0.81	(1.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	23,537	24,028
Right-of-use asset	17	786	1,000
Prepayment and deposits paid for life insurance policies		5,823	5,710
Deposits		111	111
		30,257	30,849
Current assets			
Inventories		8,488	6,041
Contract assets	13	92,346	77,405
Trade receivables	12	27,072	14,356
Deposits, prepayments and other receivables		8,555	14,833
Tax recoverable		—	2,751
Pledged bank deposits		8,081	8,078
Bank balances and cash		59,955	59,328
		204,497	182,792
Current liabilities			
Trade and bills payables	14	25,995	11,570
Contract liabilities	13	4,867	8,426
Retention monies payables		3,763	3,774
Accrual and other payables		2,025	2,056
Bank borrowings		45,588	41,396
Lease liability	17	429	424
		82,667	67,646
Net current assets		121,830	115,146
Total assets less current liabilities		152,087	145,995

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

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As at 30 September 2020

	<i>Notes</i>	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
<hr/>			
Non-current liabilities			
Deferred tax liability		—	168
Lease liability	<i>17</i>	364	580
		364	748
		151,723	145,247
<hr/>			
Capital and reserves			
Share capital	<i>15</i>	8,000	8,000
Reserves		143,723	137,247
		151,723	145,247
<hr/>			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>(Note i)</i>	Retained profits HK\$'000	Total HK\$'000
At 1 April 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
At 1 April 2019 (Audited)	8,000	103,940	5,024	52,103	169,067
Loss and total comprehensive expense for the period	—	—	—	(8,973)	(8,973)
At 30 September 2019 (Unaudited)	8,000	103,940	5,024	43,130	160,094

Note:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(2,163)	4,778
NET CASH USED IN INVESTING ACTIVITIES	(284)	(123)
NET CASH GENERATED FROM FINANCING ACTIVITIES	3,074	2,467
NET INCREASE IN CASH AND CASH EQUIVALENTS	627	7,122
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	59,328	56,483
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	59,955	63,605

For the six months ended 30 September 2020

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 2020 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 with 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 2020 except as described below.

For the six months ended 30 September 2020

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework for Hong Kong Financial Reporting Standards (“HKFRSs”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of building materials and construction contracts. An analysis of the Group’s revenue for the period is as follows:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Disaggregation by major products or services lines		
Sales of building materials		
— Gypsum block	7,641	3,913
— Wooden flooring	11,218	2,595
— Others	2,048	490
Revenue from construction contracts		
— Gypsum block	18,720	5,465
— Wooden flooring	109,604	41,976
— Others	3,496	18,355
	152,727	72,794

For the six months ended 30 September 2020

Disaggregation of the Group's revenue by timing of recognition

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
At a point in time	20,907	6,998
Over time	131,820	65,796
Total revenue from contract with customers	152,727	72,794

All revenue are generated in Hong Kong for both periods.

Segment revenues and results

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

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

- Sales of building materials — trading of building materials; and
- Construction contracts — provision of construction and engineering services.

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

For the six months ended 30 September 2020

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

For the six months ended 30 September 2019 (Unaudited)

	Sales of building materials HK\$'000	Construction contracts HK\$'000	Total HK\$'000
Segment revenue			
External sales	6,998	65,796	72,794
Segment profit	1,631	3,678	5,309
Unallocated income			2,640
Unallocated corporate expenses			(17,642)
Unallocated finance costs			(836)
Loss before taxation			(10,529)

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.

For the six months ended 30 September 2020

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Sales of building materials	8,962	4,305
Construction contracts	110,456	88,906
Total segment assets	119,418	93,211
Unallocated corporate assets	115,336	120,430
Total assets	234,754	213,641

Segment liabilities

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Sales of building materials	5,842	3,998
Construction contracts	28,783	19,772
Total segment liabilities	34,625	23,770
Unallocated corporate liabilities	48,406	44,624
Total liabilities	83,031	68,394

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

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

For the six months ended 30 September 2020

5. OTHER INCOME

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	163	34
Royalty income	—	2,494
Interest income from deposits paid for life insurance policies	117	112
Reversal of impairment loss on trade receivables	459	—
Reversal of impairment loss on prepayments	105	—
	844	2,640

6. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses on bank borrowings	897	836
Interest expenses on lease liability	10	—
	907	836

7. INCOME TAX CREDIT

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax: Hong Kong Profits Tax	—	—
Deferred taxation	168	1,556
	168	1,556

For the six months ended 30 September 2020

No provision for Hong Kong Profits Tax has 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. For the six months ended 30 September 2019, no provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for the period.

8. PROFIT/(LOSS) FOR THE PERIOD

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	935	855
Depreciation of right-of-use asset	214	36
Net foreign exchange loss	238	127
(Reversal of)/impairment loss on trade receivables	(459)	506
Amortisation of prepayment paid for life insurance policies	4	4
Impairment loss on contract assets	113	—
Reversal of impairment loss on prepayments	(105)	—
Expense relating to short-term lease	468	490
Amount of inventories recognised as an expense	17,180	4,551

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2020, nor has any dividend been proposed by the board of directors since the end of the interim period (six months ended 30 September 2019: nil).

For the six months ended 30 September 2020

10. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share, representing profit/(loss) for the period attributable to the owners of the Company	6,476	(8,973)

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share ('000 shares)	800,000	800,000

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 September 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group has spent approximately HK\$444,000 on acquisition of furniture, fixture and office equipment (six months ended 30 September 2019: approximately HK\$153,000 on acquisition of leasehold improvement, furniture, fixture and office equipment).

For the six months ended 30 September 2020

12. TRADE RECEIVABLES

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

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade receivables	28,559	16,345
Less: impairment loss on trade receivables	(1,487)	(1,989)
	27,072	14,356

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

The following is an aging analysis of trade receivables net of impairment loss of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of each reporting period.

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 30 days	8,012	846
31 to 60 days	2,206	3,212
61 to 90 days	12,953	3,902
Over 90 days	3,901	6,396
	27,072	14,356

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.

For the six months ended 30 September 2020

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 and an analysis of the debtor's current financial position, 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 2020 and 31 March 2020.

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 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
At beginning of the reporting period	1,989	1,522
Increase during the period/year	—	621
Reversal of impairment losses	(459)	(90)
Written off	(43)	(64)
At the end of the reporting period	1,487	1,989

Reversal of impairment losses incurred due to the decrease in past due amount as a result of repayment from customers during the six months ended 30 September 2020.

For the six months ended 30 September 2020

13. CONTRACT ASSETS AND CONTRACT LIABILITIES**(a) Contract assets**

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Analysed as current:		
Retention monies receivables	23,813	23,599
Less: Impairment loss recognised on retention monies receivables	(2,005)	(1,991)
	21,808	21,608
Amounts due from customers for contract work	71,011	56,171
Less: Impairment loss recognised on amounts due from customers for contract work	(473)	(374)
	70,538	55,797
	92,346	77,405

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. 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 2020 and 31 March 2020.

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 the six months ended 30 September 2020

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

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
At beginning of the reporting period	2,365	1,586
Increase during the period/year	113	779
At the end of the reporting period	2,478	2,365

(b) **Contract liabilities**

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Analysed as current:		
Receipt in advance	4,062	5,416
Amounts due to customers for contract work	805	3,010
	4,867	8,426

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

The significant decrease in contract liabilities for the six months ended 30 September 2020 was mainly due to completion of several construction projects during the period.

Revenue recognised during the six months ended 30 September 2020 that was included in the contract liabilities as at 1 April 2020 is approximately HK\$5,310,000 (2019: HK\$1,883,000). There was no revenue recognised in the current period that related to performance obligations that were satisfied in a prior period.

For the six months ended 30 September 2020

14. TRADE AND BILLS PAYABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade payables	11,660	9,199
Bills payables	14,335	2,371
	25,995	11,570

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

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within 30 days	10,501	6,273
31 to 90 days	15,222	4,291
91 to 180 days	73	811
Over 180 days	199	195
	25,995	11,570

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.

For the six months ended 30 September 2020

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2019, 31 March 2020 and 30 September 2020	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 April 2019, 31 March 2020 and 30 September 2020	800,000,000	8,000

16. 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 2020 and 2019.

For the six months ended 30 September 2020

17. RIGHT-OF-USE ASSET AND LEASE LIABILITY

(a) Right-of-use asset

As at 30 September 2020, the carrying amount of right-of-use asset was approximately HK\$786,000 (31 March 2020: HK\$1,000,000) in respect of the leased property.

(b) Lease liability

As at 30 September 2020, the carrying amount of lease liability was approximately HK\$793,000 (31 March 2020: HK\$1,004,000).

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Non-current	364	580
Current	429	424
	793	1,004

Amounts payable under lease liability

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Within one year	429	424
After one year but within two years	364	580
	793	1,004
Less: Amount due for settlement within 12 months	(429)	(424)
Amount due for settlement after 12 months	364	580

For the six months ended 30 September 2020

(c) Amounts recognised in profit or loss

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use asset	214	36
Interest expense on lease liability	10	—
Expense related to short term leases	468	490

(d) Others

During the six months ended 30 September 2020, the total cash outflow for leases (including short-term leases) amount to approximately HK\$689,000 (six months ended 30 September 2019: approximately HK\$526,000). All lease payments of the Group are fixed.

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	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Sun Warm (note i)	Rental expenses (note ii)	468	468

Notes:

- (i) Sun Warm Holding Company Limited (“Sun Warm”) is directly owned by the executive directors of the Company during the six months ended 30 September 2020 and 2019.
- (ii) During the six months ended 30 September 2020, Sun Warm leased a property to the Group for a lease term of one year (six months ended 30 September 2019: lease period from 1 April 2018 to 31 March 2020).

For the six months ended 30 September 2020

(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 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	3,087	3,298
Post-employment benefits	45	54
	3,132	3,352

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. CONTINGENT LIABILITIES

At 30 September 2020 and 31 March 2020, 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, the litigation and potential claim are not expected to have a material impact on the condensed consolidated financial statements. Accordingly, no provision has been made to the condensed consolidated financial statements.

20. COMMITMENT AND EVENT AFTER REPORTING PERIOD

On 27 August 2020, the sale and purchase agreement (the “**Sale and Purchase Agreement**”) was entered into between Fortuna Enterprise Holding Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, and Mr. Lo Wing Cheung and Ms. Fung Pik Mei (the “**Controlling Shareholders**”), pursuant to which the Purchaser conditionally agreed to acquire and the Controlling Shareholders conditionally agreed to sell 100% of the issued share capital of Sun Warm, for a total cash consideration of HK\$32,300,000 and the transaction was subject to shareholders’ approval. The main asset of Sun Warm is an investment property located in Quarry Bay, Hong Kong. On 19 October 2020, the shareholders of the Company approved, confirmed and ratified the Sale and Purchase Agreement. On 20 October 2020, the transaction has been completed. Details are set out in the circular dated on 22 September 2020.