Silver Tide Holdings Limited

銀濤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1943

Annual Report

2019

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Ip Chi Ming *(Chairman and Chief Executive Officer)*
Mr. Lau Woon Wing

Independent Non-executive Directors:

Mr. Law Chi Hung
Mr. Shum Hau Tak
Mr. Pau Chi Hoi

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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Skyline Tower
No. 18 Tong Mi Road
Mongkok
Kowloon
Hong Kong

COMPANY'S WEBSITE

www.silvertide.hk

COMPANY SECRETARY

Ms. Chow Hoi Fei *(Certified Public Accountant)*
Flat F, 25th Floor Block 6
Hanford Garden Tuen Mun
New Territories Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ip Chi Ming
Flat D, 55th Floor
Tower 1 Lake Silver, Ma On Shan
New Territories Hong Kong

Ms. Chow Hoi Fei *(Certified Public Accountant)*
Flat F, 25th Floor Block 6
Hanford Garden Tuen Mun,
New Territories Hong Kong

AUDIT COMMITTEE

Mr. Law Chi Hung *(Chairman)*
Mr. Shum Hau Tak
Mr. Pau Chi Hoi

NOMINATION COMMITTEE

Mr. Pau Chi Hoi *(Chairman)*
Mr. Law Chi Hung
Mr. Lau Woon Wing

REMUNERATION COMMITTEE

Mr. Shum Hau Tak *(Chairman)*
Mr. Pau Chi Hoi
Mr. Ip Chi Ming

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Island

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
24th Floor, Bank of China Tower
1 Garden Road
Hong Kong

STOCK CODE

1943

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Silver Tide Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 March 2019 ("**FY2018/19**").

NEW LISTING

It is a new chapter of our Group's development that the shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited on 28 June 2019 (the "**Listing Date**"). I would like to express on behalf of the Group our sincere gratitude to all parties who have assisted us in building our business over the years and the Listing. The Listing has not only enhanced our corporate profile, but also assisted us to increase the confidence of our customers and suppliers in our Group's internal control and operating systems, provide sufficient capital for our expansion and enhance recruitment strategy and work morale.

BUSINESS REVIEW

During the review period, our Group recorded an increase in revenue by 10.5% from approximately HK$361.9 million for the year ended 31 March 2018 ("**FY2017/18**") to approximately HK$399.9 million for FY2018/19. Such increase was mainly due to (i) we derived substantial revenue of approximately HK$122.3 million for FY2018/19 from a project with an initial contract sum of approximately HK$142.2 million that commenced in April 2018; and (ii) partially offset by a decrease in revenue derived from projects which contributed revenue for FY2017/18 and for FY2018/19.

As a result of the aforesaid and in particular the recognition of listing expenses during for FY2018/19 and the tax effect of the non-deductible listing expenses, our profit and total comprehensive income for the year attributable to owners of our Company decreased from approximately HK$37.2 million for FY2017/18 to approximately HK$29.3 million for FY2018/19, representing a decrease of approximately 21.2%.

FUTURE OUTLOOK

Going forward, our Group intends to expand our formwork work capacity by investing more capital to conduct our projects, sourcing and cooperating with new subcontractors which are highly skilled and experienced, recruiting additional labour with experience to work on site and providing professional trainings to our employees. Our Directors consider that taking on more large-scale jobs would lessen our overall costs in the management of the workers arranged by our subcontractors, further strengthen our market reputation, and increase our competitiveness in the formwork works industry. In addition, the Group also intend to acquire more metal scaffold equipment so as to reduce our reliance on external metal scaffold equipment suppliers, enhance the efficiency and effectiveness in completing our projects on time, enable us to control the quality of the metal scaffold equipment and reduce the risk of accidents.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the Group's management and staff for their dedication and commitment throughout the year. Besides, I would like to thank all shareholders, customers, subcontractors, suppliers and business partners for their support and encouragement given to the Group in the past years. My thanks are also extended to the lawyers, auditors, consultants and relevant enterprises who always give us help and support. I look forward to celebrating another year of success with all of you.

Ip Chi Ming
Hong Kong, 17 July 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

BUSINESS REVIEW

Our Group is a subcontractor in the construction industry mainly providing formwork works services to both the public and private sectors in Hong Kong. The formwork works undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. Upon our customers' request, we also undertake other construction works such as reinforcement bar fixing, concrete placing, A&A works and plastering.

Our revenue increased by 10.5% from approximately HK$361.9 million for FY2017/18 to approximately HK$399.9 million for FY2018/19. Our gross profit also increased by 20.8% from approximately HK$53.4 million for FY2017/18 to approximately HK$64.5 million for FY2018/19. On the other hand, our profit and total comprehensive for the year attributable to owners of our Company deceased by 21.2% from approximately HK$37.2 million for FY2017/18 to approximately HK$29.3 million for FY2018/19.

As at 31 March 2019, we had 17 projects on hand that have been awarded to us but not completed with a total initial contract sum of approximately HK$1,251 million. As at 31 March 2018, we had 14 projects on hand that have been awarded to us but not completed with a total initial contract sum of approximately HK$876.3 million.

As Hop Fat Yuk Ying Engineering Limited ("**Hop Fat Yuk Ying**"), an indirect wholly-owned subsidiary of the Company, is a registered subcontractor under the Subcontractor Registration Scheme (which is now renamed as Registered Specialist Trade Contractors Scheme) maintained by the Construction Industry Council under the category of "Concreting Formwork", we are able to perform both traditional and system formwork works to fulfil the design requirements and the needs of our customers. The ability to perform both types of formwork works enables us to tender for more formwork works projects, which will in turn increase our business opportunities. With our established formwork works experience, our Directors believe we are well positioned to expand our market share in the formwork industry in Hong Kong and are capable to compete for sizable and profitable formwork works projects.

FINANCIAL REVIEW

Analysis of key items of results of operations

Revenue

Our revenue increased from approximately HK$361.9 million for FY2017/18 to approximately HK$399.9 million for FY2018/19, representing an increase of approximately 10.5%. Such increase was mainly due to:

(i) we derived substantial revenue of approximately HK$122.3 million for FY2018/19 from a project with an initial contract sum of approximately HK$142.2 million that commenced in April 2018 ("**Project A**");

(ii) partially offset by a decrease in revenue derived from projects which contributed revenue for FY2017/18 and FY2018/19.

Cost of sales

Our cost of sales increased from approximately HK$308.5 million for FY2017/18 to approximately HK$335.4 million for FY2018/19, representing an increase of approximately 8.7%, which was less than the increase in our revenue of approximately 10.5% (and thus resulted in higher gross profit margin). Our cost of sales mainly includes subcontracting charges, construction materials and consumables costs, rental charges and direct staff costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. This is because depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our cost of sales for FY2018/19 compared to FY2017/18:

(i) Our subcontracting charges increased from approximately HK$255.7 million for FY2017/18 to approximately HK$261.8 million for FY2018/19, representing an increase of approximately 2.4%. Such increase was primarily due to the increase in amount of works outsourced to subcontractors as a result of the increase in our revenue for FY2018/19 as discussed above.

(ii) Our construction materials and consumables costs increased from approximately HK$32.1 million for FY2017/18 to approximately HK$59.8 million for FY2018/19, representing an increase of approximately 86.3%. Such increase was mainly due to (i) the increase in amount of construction materials and consumables required as a result of the increase in our revenue for FY2018/19 as discussed above; and (ii) substantial amount of construction materials and consumables of approximately HK$25.1 million was purchased by our Group in relation to Project A during FY2018/19 as the project was in the early stages and we normally procure construction materials upfront in the early stages of a project.

(iii) Our rental charges remained relatively stable at approximately HK$5.4 million and HK$5.5 million for FY2017/18 and FY2018/19, respectively. Despite an increase in revenue for FY2018/19, rental charges remained relatively stable because we recorded a relatively higher amount of rental charges for a sizeable project with an initial contract sum of approximately HK$177.0 million ("**Project B**"). As the revenue derived from Project B for FY2018/19 was lower than that for FY2017/18, our rental charges remained relatively stable for FY2018/19 compared to that for FY2017/18. Our Directors consider that the demand for metal scaffold equipment of Project B was relatively greater compared to our other projects was mainly because the customer of Project B required us to a use a non-standard construction process when undertaking the construction works, and such construction process required different metal scaffold equipment of higher unit rental price and hence a higher rental charges for metal scaffold equipment.

(iv) Our direct staff costs increased from approximately HK$3.8 million for FY2017/18 to approximately HK$4.4 million for FY2018/19, representing an increase of approximately 15.8%. Such increase was mainly due to (i) the hiring of a site supervisor in November 2017 which we incurred a higher amount of staff costs regarding such site supervisor for FY2018/19 compared to FY2017/18; and (ii) the hiring of site supervisors subsequent to 31 March 2018 to cater for our overall business growth.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2017/18 and FY2018/19 respectively were as follows:

	FY2018/19	FY2017/18
Revenue (HK$'000)	**399,875**	361,873
Gross profit (HK$'000)	**64,515**	53,402
Gross profit margin	**16.1%**	14.8%

Our gross profit increased from approximately HK$53.4 million for FY2017/18 to approximately HK$64.5 million for FY2018/19, representing an increase of approximately 20.8%. The increase in our gross profit was mainly due to the increase in our revenue during FY2018/19 as discussed above. Our gross profit margin increased from approximately 14.8% for FY2017/18 to approximately 16.1% for FY2018/19. Such increase was mainly due to a residential development in Deep Water Bay Drive at Deep Water Bay (project P35 as disclosed in the section headed "Business – Our projects – Projects on hand" in the prospectus of the Company dated 18 June 2019 (the "**Prospectus**") which commenced in July 2018 and recorded a high gross profit margin for FY2018/19. Project P35 relates to additional works to one of our other projects completed in October 2017 (project P11 as disclosed in the section headed "Business – Our projects – Projects completed during the Track Record Period" in the Prospectus. Our Directors consider that since we were the previous contractor undertaking the works for project P11, the relevant customer would prefer to award the tender for project P35 despite a higher profit margin factored in the tender submitted for the relevant project.

Other income and gains

Our other income decreased from approximately HK$107,000 for FY2017/18 to approximately HK$35,000 for FY2018/19. Such decrease was mainly because we did not receive any government grants during FY2018/19 (FY2017/18: approximately HK$88,000).

Administrative expenses

Our administrative expenses increased from approximately HK$8.2 million for FY2017/18 to approximately HK$25.9 million for FY2018/19, representing an increase of approximately 215.9%. Such increase was mainly due to the non-recurring listing expenses of approximately HK$14.3 million incurred for FY2018/19 (FY2017/18: nil).

Finance costs

Our finance costs increased from approximately HK$591,000 for FY2017/18 to approximately HK$809,000 for FY2018/19. Such increase was mainly due to relatively higher amount of interest-bearing bank loans taken out by our Group during FY2018/19 compared to FY2017/18.

Income tax expense

Our income tax expenses increased from approximately HK$7.5 million for FY2017/18 to approximately HK$8.5 million for FY2018/19. Such increase was mainly due to the tax effect of the non-deductible listing expenses incurred during FY2018/19 despite a lower amount of our profit before tax for FY2018/19 compared to FY2017/18.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the recognition of listing expenses during FY2018/19 and the tax effect of the non-deductible listing expenses as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company decreased from approximately HK$37.2 million for FY2017/18 to approximately HK$29.3 million for FY2018/19, representing a decrease of approximately 21.2%.

Analysis of key items of results of financial position

Net current assets

The following table sets forth a breakdown of our Group's current assets and current liabilities as at the dates indicated:

	As at 31 March 2019 HK$000	As at 31 March 2018 HK$000
CURRENT ASSETS		
Contract assets	**105,902**	93,195
Trade receivables	**42,418**	34,780
Due from a director	**–**	5,409
Due from a related party	**55**	–
Prepayments, other receivables and other assets	**13,558**	4,278
Cash and cash equivalents	**36,126**	63,716
Total current assets	**198,059**	201,378
CURRENT LIABILITIES		
Contract liabilities	**–**	12,921
Trade and retention payables	**28,528**	38,699
Due to a related party	**–**	1,962
Other payables and accruals	**5,546**	3,914
Interest-bearing bank loans	**30,613**	33,019
Tax payables	**2,432**	5,190
Total current liabilities	**67,119**	95,705
NET CURRENT ASSETS	**130,940**	105,673

As at 31 March 2019, our net current assets amounted to approximately HK$130.9 million, which was higher than our net current assets of approximately HK$105.7 million as at 31 March 2018. Such increase was mainly because we did not record any contract liabilities as at 31 March 2019 (as at 31 March 2018: approximately HK$12.9 million) as a result of the satisfaction of our performance obligation under the relevant contract with our customer and our profitable operation during FY2018/19.

Contract assets

Our Group's contract assets are analysed as follows:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Unbilled revenue	**43,620**	39,743
Retention receivables	**62,282**	53,452
Total	**105,902**	93,195

Retention receivables

Our retention receivables increased from approximately HK$53.5 million as at 31 March 2018 to approximately HK$62.3 million as of 31 March 2019.

The increase in retention receivables of approximately HK$8.8 million during FY2018/19 was primarily attributable to the increase in retention receivables withheld for projects brought forward from the prior reporting period (for example, we recorded retention receivables of approximately HK$9.1 million for project P18 (project P18 as disclosed in the section headed "Business – Our projects – Projects on hand" in the Prospectus) as at 31 March 2019 (as at 31 March 2018: approximately HK$9.0 million)) and new projects that commenced during FY2018/19 (for example, we recorded retention receivables of approximately HK$7.1 million for project P31 (project P31 as disclosed in the section headed "Business – Our projects – Projects on hand" in the Prospectus) as at 31 December 31 March 2019 (as at 31 March 2018: nil)).

Unbilled revenue

Our unbilled revenue increased from approximately HK$39.7 million as at 31 March 2018 to approximately HK$43.6 million as at 31 March 2019. Such increase was mainly due to addition of unbilled revenue of approximately HK$38.9 million during FY2018/19, which was greater than the amount of unbilled revenue transferred to trade receivables of approximately HK$35.0 million during the same period.

Trade Receivables

Our trade receivables increased from approximately HK$34.8 million as at 31 March 2018 to approximately HK$42.4 million as at 31 March 2019. Such increase was in line with the increase in our revenue as a result of continued business growth and partly due to the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets increased from approximately HK$4.3 million as at 31 March 2018 to approximately HK$13.6 million as at 31 March 2019. Such increase was mainly because we recorded prepayment of listing expenses of approximately HK$3.7 million as at 31 March 2019 (as at 31 March 2018: nil) and prepayment to suppliers of approximately HK$5.2 million as at 31 March 2019 (as at 31 March 2018: nil).

Contract liabilities

We did not record any contract liabilities as at 31 March 2019 (as at 31 March 2018: approximately HK$12.9 million) as we have satisfied our performance obligation under the relevant contract with our customer during FY2018/19.

Trade and retention payables

Our trade and retention payables as at 31 March 2018 and 2019 amounted to approximately HK$38.7 million and HK$28.5 million respectively. The following table sets forth a breakdown of our trade and retention payables:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Trade payables	**28,286**	36,626
Retention payables	**242**	2,073
Total	**28,528**	38,699

Trade payables

Our trade payables decreased from approximately HK$36.6 million as at 31 March 2018 to approximately HK$28.3 million as at 31 March 2019. Such decrease was mainly due to our Group incurred a lower amount of cost of sales of approximately HK$31.8 million for the one month ended 31 March 2019 (one month ended 31 March 2018: approximately HK$34.8 million).

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Accruals	**4,752**	3,814
Other payables	**794**	100
Total	**5,546**	3,914

Accruals

Our accruals increased from approximately HK$3.8 million as at 31 March 2018 to approximately HK$4.8 million as at 31 March 2019. Such increase was mainly due to we recorded (i) accrued audit fee of HK$1.6 million as at 31 March 2019 (as at 31 March 2018: nil); and (ii) accrued listing expense of approximately HK$1.6 million as at 31 March 2019 (as at 31 March 2018: nil), partially offset by the net decrease in accrued cost charged by our customers (e.g. rectification works performed by resources arranged by our customers) by approximately HK$2.7 million during FY2018/19.

Indebtedness

The following table sets forth our Group's indebtedness as at the respective dates indicated:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Current:		
Amount due to related parties	**–**	1,962
Interest-bearing bank loans	**30,613**	33,019
	30,613	34,981
Non-current:	**–**	–

Interest-bearing bank loans

Our interest-bearing bank loans decreased from approximately HK$33.0 million as at 31 March 2018 to approximately HK$30.6 million as at 31 March 2019. Such decrease was mainly due to the repayment of our interest-bearing bank loan during FY2018/19.

Key financial ratios

	FY2018/19/ As at 31 March 2019	FY2017/18/ As at 31 March 2018
Revenue growth	**10.5%**	(4.4%)
Net profit growth	**(21.2%)**	102.7%
Gross profit margin	**16.1%**	14.8%
Net profit margin before interest and tax	**9.7%**	12.5%
Net profit margin	**7.3%**	10.3%
Return on equity	**21.7%**	35.1%
Return on total assets	**14.4%**	18.4%
Current ratio	**3.0**	2.1
Quick ratio	**3.0**	2.1
Trade receivables turnover days	**35.2 days**	27.9 days
Trade payables turnover days	**35.3 days**	33.3 days
Gearing ratio *(Note)*	**22.6%**	33.0%
Net debt to equity ratio	**Net cash**	Net cash
Interest coverage	**47.8**	76.7

Note: Gearing ratio is calculated as total borrowings (i.e. amount due to related parties and interest-bearing bank loans) divided by the total equity as at the respective reporting dates.

Revenue growth

Our revenue increased from approximately HK$361.9 million FY2017/18 to approximately HK$399.9 million for FY2018/19. Please refer to the paragraph headed "Management's discussion and analysis of financial condition and operation results – Analysis of key items of results of operations" in this section for the reasons for the increase in our revenue.

Net profit growth

Our profit and total comprehensive income for the year decreased from approximately HK$37.2 million for FY2017/18 to approximately HK$29.3 million for FY2018/19. Please refer to the paragraph headed "Management's discussion and analysis of financial condition and operation results – Analysis of key items of results of operations" in this section for the reasons for the decrease in our net profit.

Gross profit margin

Our gross profit margin increased from approximately 14.8% for FY2017/18 to approximately 16.1% for FY2018/19. Please refer to the paragraph headed "Management's discussion and analysis of financial condition and operation results – Analysis of key items of results of operations" in this section for the reasons for the increase in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from approximately 12.5% for FY2017/18 to approximately 9.7% for FY2018/19. Such decrease was mainly due to the recognition of listing expenses of approximately HK$14.3 million for FY2018/19 (FY2017/18: nil).

Net profit margin

Our net profit margin decreased from approximately 10.3% FY2017/18 to approximately 7.3% for FY2018/19. Such decrease was mainly due to the decrease in our net profit margin before interest and tax as mentioned above.

Return on equity

Our return on equity decreased from approximately 35.1% for FY2017/18 to approximately 21.7% for FY2018/19. Such decrease was mainly due to the decrease in our net profit for FY2018/19 as discussed above.

Return on total assets

Our return on total assets decreased from approximately 18.4% for FY2017/18 to approximately 14.4% for FY2018/19. The decrease in our return on total assets was mainly due to reason similar to that for the change in our return on equity as discussed above.

Current ratio

Our current ratio increased from approximately 2.1 times as at 31 March 2018 to approximately 3.0 times as at 31 March 2019. Such increase was mainly due to our Group maintained a strong current assets position while our current liabilities decreased by approximately 29.9% as a result of (i) the decrease in trade payables by approximately HK$8.3 million during FY2018/19 as discussed above; (ii) the settlement of contract liabilities during FY2018/19; and (iii) the repayment of interest-bearing bank loans during FY2018/19.

Quick ratio

Due to our business nature, we did not have any inventories during FY2018/19. As such, our quick ratio was the same as our current ratio.

Trade receivables turnover days

Our trade receivable turnover days increased from approximately 27.9 days for FY2017/18 to approximately 35.2 days for FY2018/19. Such increase was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us. The credit period that we granted to our customers is generally within 60 days.

Trade payables turnover days

Our trade payable turnover days increased from approximately 33.3 days FY2017/18 to approximately 35.3 days for FY2018/19. Such increase was primarily affected by difference in timing of payments to our suppliers.

Gearing ratio

Our gearing ratio decreased from approximately 33.0% as at 31 March 2018 to approximately 22.6% as at 31 March 2019. Such decrease was mainly due to the decrease in interest-bearing bank loans from approximately HK$33.0 million as at 31 March 2018 to approximately HK$30.6 million as at 31 March 2019.

Net debt to equity ratio

We recorded net cash positions as at 31 March 2018 and 2019.

Interest coverage

Our interest coverage decreased from approximately 76.7 times as at 31 March 2018 to approximately 47.8 times as at 31 March 2019, which was mainly due to the increase in finance costs incurred by our Group during FY2018/19 compared to FY2017/18 as discussed in this section above.

LIQUIDITY AND FINANCIAL RESOURCES

Our primary uses of capital are to satisfy our working capital needs and to fund our construction projects. We financed our working capital primarily from (i) cash generated from operating activities, which primarily comprised cash payments we received from our revenue from the provision of formwork works and other construction works (ii) bank borrowings and (iii) proceeds from issuance of stock. In managing our liquidity, our management monitors and maintains a reasonable level of cash and cash equivalents which are deemed adequate by our management to finance our operations and to mitigate the impacts of fluctuations in cash flows. We rely on cash and cash equivalents on hand and the cash generated from operating activities as the main sources of liquidity. As at 31 March 2019, the cash and cash equivalents, net current assets and total assets less current liabilities were HK$36.1 million (as at 31 March 2018: HK$63.7 million), HK$130.9 million (as at 31 March 2018: HK$105.7 million) and HK$135.9 million (as at 31 March 2018: HK$106.1 million), respectively.

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board of Directors closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in this annual report and the Prospectus, the Group did not hold any significant investment nor did the Group carry out any material acquisition and disposal during the year.

SEGMENT INFORMATION

Save as disclosed in note 4 to the consolidated financial statements, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at and for FY2018/19.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had approximately HK$4.2 million of off-balance sheet capital commitments in respect of the acquisition of property plant and equipment.

CAPITAL STRUCTURE

The shares of the Company were listed on Main Board of the Stock Exchange on 28 June 2019. There has been no change in the capital structure of the Company since then. As at 31 March 2019, the capital structure of the Company comprised mainly issued share capital and reserves.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019 the Group employed 26 employees in Hong Kong (2018: 19 employees). The remuneration package that our Group offers to employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. As required by Hong Kong laws, we have enrolled all of our full-time staff in the Mandatory Provident Fund Scheme. We intend to maintain our remuneration package competitive in order to attract and retain talented labour, and we regularly carry out staff evaluation to assess their performance. The total remuneration cost incurred by the Group for FY2018/19 was approximately HK$11.4 million compared to approximately HK$9.9 million for FY2017/18.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

FOREIGN EXCHANGE RISK

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivative contracts to hedge its exposure to foreign exchange risk during FY2018/19.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no material contingent liabilities.

CODE ON CORPORATE GOVERNANCE PRACTICES

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group's operations, and Mr. Ip Chi Ming's in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of our Company and that it is in the best interest of our Group to have Mr. Ip Chi Ming taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

Since we were not yet listed on the Stock Exchange during FY2018/19, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period under review. After the Listing, we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange in during FY2018/19, this disclosure requirement is not applicable to us.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Net proceeds from the Listing were approximately HK$86.8 million, which, as disclosed in the Prospectus, will be used for (i) financing the start-up costs for projects commencing from the calendar year 2019; and (ii) purchasing metal scaffold equipment and related expenses.

From the Listing Date to the date of this annual report, the Group has not utilized any of the net proceeds from the Listing.

DIRECTORS

Executive Directors

Mr. IP Chi Ming (葉志明先生), aged 45, is our executive Director, our chief executive officer and chairman of the Board and a director of Forest Honour and Hop Fat Yuk Ying. Mr. Ip is also our Controlling Shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")). He is also a member of the Remuneration Committee. He has over 20 years of experience in the construction industry specialising in providing formwork works in Hong Kong. Mr. Ip is primarily responsible for overseeing the day-to-day management and operations of our Group. He joined our Group in March 1998 and worked as a site supervisor in Hop Fat Yuk Ying where he was responsible for supervising site operations of formwork works. Since April 2010, he has become a project director of Hop Fat Yuk Ying and is responsible for overseeing operations and the technical aspects of the formwork works projects undertaken by Hop Fat Yuk Ying.

Mr. Ip completed a construction safety supervisor course organised by the Construction Industry Training Authority in July 2000. He was also awarded a certificate in Building Studies (Building Option) by the Vocational Training Council of Hong Kong Institute of Vocational Education in July 2001. He attended secondary education in Hong Kong. Mr. Ip is also a vice-secretary to Hong Kong Formwork Contractors Association.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years

Mr. LAU Woon Wing (劉煥榮先生), aged 48, is our executive Director. He is also a member of the Nomination Committee. Prior to joining our Group, Mr. Lau worked as a quantity surveyor in Po On Construction Crystal Treasure Limited. Mr. Lau joined our Group in October 2001 as a quantity surveyor and was promoted to the position of senior quantity surveyor in October 2009. During these years, Mr. Lau was responsible for, among others, overseeing work progress on site and preparing payment applications. He had over 17 years of experience in the construction industry specialising in providing formwork works in Hong Kong. Mr. Lau attended secondary education in Hong Kong and completed a construction safety supervisor course organised by the Construction Industry Training Authority in November 1996. He was awarded a Higher Certificate in Quantity Surveying by the Vocational Training Council of Hong Kong Institute of Vocational Education in July 2000.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years

Independent non-executive Directors

Mr. SHUM Hau Tak (岑厚德先生), aged 52, is our independent non-executive Director. He is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Shum is responsible for supervising and providing independent judgement to our Board, the Audit Committee and the Remuneration Committee.

Mr. Shum has over 30 years of experience in the construction industry. Between July 1985 and July 1988, Mr. Shum worked at Rider Levett Bucknall Limited (previously known as Levett & Bailey Chartered Quantity Surveyors Limited), a quantity surveying firm in Hong Kong, where he worked as a quantity surveyor. He then continued his studies in the United Kingdom. After completion of his studies in December 1991, he worked as a project quantity surveyor at Sun Fook Kong (Civil) Limited (previously known as Sung Foo Kee (Civil) Limited) from January 1992 to October 1992. From October 1992 to September 1998, he worked for Shun Shing Construction & Engineering Company, Limited, a construction contractor with offices in Hong Kong and Singapore, with his last position as a deputy general manager. In October 1998, Mr. Shum joined Kim Hung Construction & Engineering Company Limited, a construction contractor in Hong Kong, where he is currently serving as a director.

Mr. Shum graduated from Robert Gordon's Institute of Technology (now known as Robert Gordon University) in the United Kingdom with a Bachelor of Science degree in Quantity Surveying in July 1990, before he completed his Master of Science degree in Construction Project Management at The Victoria University of Manchester (now known as the University of Manchester) in the United Kingdom in December 1991.

Mr. Shum became a member of The Hong Kong Institute of Construction Managers, The Hong Kong Institute of Surveyors and The Hong Kong Institution of Engineers in August 2001, May 2005 and May 2009, respectively. He also became a registered professional engineer (building), registered professional surveyor in the quantity surveying division and registered construction manager in October 2010, April 2011 and March 2015, respectively.

Mr. Shum is a committee member of the Safety Specialist Committee of the Hong Kong Institution of Engineers.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. PAU Chi Hoi（鮑智海先生）, aged 39, is our independent non-executive Director. He is the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Pau is responsible for supervising and providing independent judgement of our Board, the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Pau has over 10 years of experience in the architecture industry. Between October 2007 and October 2009, Mr. Pau worked as an architectural assistant at MLA Architects (H.K.) Limited, an architectural consultancy firm in Hong Kong. He subsequently worked for CYS Associates (Hong Kong) Limited, an architecture firm in Hong Kong, from January 2010 to November 2012 with his last position as an architect. From November 2012 to June 2015, Mr. Pau worked at Wong & Ouyang (HK) Limited, an architecture firm with offices in Hong Kong and Shanghai, with his last position as senior architect. From June 2015 to April 2016, he was an assistant project manager of Kowloon Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0034), principally engaged in property investment and development. He worked as an architect at AGC Design Limited, an architectural firm, from July 2016 to December 2017. Since January 2018, he has been working at Far East Architects Limited, an architecture firm in Hong Kong, where he is currently serving as a director.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

Mr. LAW Chi Hung（羅智鴻先生）, aged 35, is our independent non-executive Director. He is the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Law is responsible for supervising and providing independent judgement of our Board, the Audit Committee and the Nomination Committee.

Mr. Law has over 12 years of experience in providing accounting, auditing and taxation services. Between November 2005 and October 2006, he worked as an accountant at HLB Hodgson Impey Cheng, a CPA firm in Hong Kong. From November 2006 to November 2009, he worked for Shinewing (HK) CPA Limited, a CPA firm with offices in the PRC and Hong Kong, with his last position as a senior accountant. He subsequently worked for different audit firms including Kenny Tam & Co., CPA, a CPA firm in Hong Kong, from June 2011 to August 2012 with his last position as an audit supervisor, and Ko Shun CPA & Company, a CPA firm in Hong Kong, as a practicing partner. In July 2014, Mr. Law established CT CPA & Company, CPA firm in Hong Kong, and is currently the sole proprietor of the firm. Since March 2017, he has also served as a director of CLG CPA Limited, a CPA firm in Hong Kong.

Mr. Law has served as an independent non-executive director of SEEC Media Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 205), since June 2015.

Mr. Law obtained a Bachelor of Business Administration (Honours) in Accountancy from the City University of Hong Kong in Hong Kong in November 2005. He became a member and a fellow member of the Hong Kong Institute of Certified Public Accountants in May 2010 and July 2017, respectively. Mr. Law is also a member of The Hong Kong Independent Non-Executive Director Association.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

SENIOR MANAGEMENT

Mr. WONG Kin Wah（黃健華先生）, aged 43, is our project manager. He has over nine years of experience in formwork projects management. Mr. Wong is responsible for overseeing the site operations of our Group. Mr. Wong joined our Group as a site supervisor in December 2009 and was promoted to the current position in December 2014.

Mr. Wong was awarded a certificate in Building Studies by the Vocational Training Council of Hong Kong Institute of Vocational Education in Hong Kong in September 1999 and completed a construction safety supervisor course organised by the Construction Industry Council in January 2011.

Ms. CHOW Hoi Fei（周凱菲小姐）, aged 31, is our financial controller and company secretary. She has over seven years of experience in auditing and accounting and is responsible for overseeing the financial operations of our Group. Ms. Chow joined our Group in May 2018. Prior to joining our Group, Ms. Chow worked at Shinewing (HK) CPA Limited from October 2010 to November 2012 with her last position as a semi-senior accountant. She subsequently worked for Mazars CPA Limited as a senior auditor from December 2012 to November 2013, and PricewaterhouseCoopers Limited as a senior associate from November 2013 to May 2015. Between August 2015 and April 2018, Ms. Chow worked at Biel Crystal (HK) Manufacturing Limited, a Hong Kong-based company principally engaged in the manufacture of glass products, with her last position as an assistant finance manager.

Ms. Chow obtained a Bachelor of Business Administration (Honours) in Accountancy from the City University of Hong Kong in Hong Kong in July 2010. Ms. Chow became a certified public accountant of the Hong Kong Institute of Certified Public Accountants in July 2014.

Ms. CHAN So Yu（陳素如小姐）, aged 32, is our human resources and purchasing manager. Ms. Chan first joined our Group in October 2011 as an office assistant of Hop Fat Yuk Ying, and rejoined our Group in June 2015 after leaving us in March 2015. She was promoted to her current position as our human resources and purchasing manager in August 2017. She is primarily responsible for overseeing the human resources and administration of our Group as well as supervising the daily operations of our Group's purchasing department.

Ms. Chan completed the Hong Kong Advanced Level Examination in June 2008.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for FY2018/19.

SHARE OFFER

The Company was incorporated on 24 July 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of the Stock Exchange on 28 June 2019.

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 28 June 2019. Net proceeds from the Listing were approximately HK$86.8 million, which, as disclosed in the Prospectus, will be used for (i) financing the start-up costs for projects commencing from the calendar year 2019; and (ii) purchasing metal scaffold equipment and related expenses.

From the Listing Date to the date of this annual report, the Group has not utilized any of the net proceeds from the Listing.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in providing construction services including traditional formwork using timber and plywood system formwork using aluminium and steel and ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong. There was no significant change in the Group's principal activities during FY2018/19.

PRINCIPAL PLACE OF BUSINESS

The Company is an exempted company incorporated in the Cayman Islands on 24 July 2018 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of operations of the Company is located at Room A-B, 14th Floor, Skyline Tower, No.18 Tong Mi Road, Mongkok, Hong Kong.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 24 July 2018.

In preparation for the Listing, the Group underwent a reorganisation, details of the reorganisation are set out in note 2 to the consolidated financial statements.

The Company's shares were listed on the Main Board of the Stock Exchange on 28 June 2019.

SEGMENT INFORMATION

An analysis of the Group's performance for FY2018/19 by operating segment is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for FY2018/19 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

The Board did not recommend the payment of a final dividend for FY2018/19.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Friday, 30 August 2019 (the "**2019 AGM**"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 26 August 2019.

BUSINESS REVIEW

The review of the Group's business for FY2018/19 is set out in the sections headed "Chairman's Statement" on pages 3 to 4 and "Management Discussion and Analysis" on pages 5 to 17 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to minimising the adverse impact to the environment caused by business operations. In order to comply with the applicable environmental protection laws and regulations, the Group established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. The Group will continue to reduce the impacts of its operation on the environment and continue to make efforts to save energy.

The "Environmental Social and Governance Report" of the Company to be prepared in accordance with Appendix 27 of the Listing Rules will be published within three months after the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, these was no material breach or non-compliance with the applicable laws and regulation by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year under review, there were no material and significant dispute between the Group and its suppliers, customers and/or stakeholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during FY2018/19 are set out in note 13 to the consolidated financial statements.

BANK BORROWINGS

Details of movements in the bank borrowings of the Group during FY2018/19 are set out in note 20 to the consolidated financial statements

SHARE CAPITAL

Details of movement in the Company's share capital during FY2018/19 are set out in note 22 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during FY2018/19 are set out on page 50 and in the consolidated statement of changes in equity respectively.

As of 31 March 2019, the Company had reserves amounted to approximately HK$135,358,000 available for distribution.

DIRECTORS

The Directors of the Company during FY2018/19 and up to the date of this annual report were as follow:

Executive Directors:
Mr. Ip Chi Ming (Chairman and Chief Executive Officer)
Mr. Lau Woon Wing

Independent Non-executive Directors:
Mr. Law Chi Hung
Mr. Shum Hau Tak
Mr. Pau Chi Hoi

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Information regarding Directors' emoluments are set out in note 8 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the Directors has entered into a service contract with the Company for a term of three years and shall be terminable by either party giving not less than six months' notice in writing to the other.

In accordance with Article 109(a) of the Articles of Association, each of the Directors will hold office until the forthcoming AGM and will then be eligible for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the Period, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, annual review, announcement or independent Shareholders' approval requirements under the Listing Rules. Save as disclosed under the "Related Party Transactions" in Note 28 to the consolidated financial statements in this annual report, there were no transaction, arrangement or contract of significance, to which the Company, any of its subsidiaries, its parent company, or its parent company's subsidiaries was a party, and in which a Director of any entity connected with a Director had a material interest, whether directly and indirectly, subsisted as at 31 March 2019 or any time during the Period, nor was there any other transaction, arrangement or contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

RELATED PARTY TRANSACTIONS

Related party transactions during FY2018/19 are disclosed in note 28 to the consolidated financial statements in this annual report. None of these related party transactions constituted connected transaction or continuing connected transaction under the Listing Rules.

MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during FY2018/19.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 8 June 2019 ("**Share Option Scheme**") in which certain participants, including any employee (full-time or part-time), director, consultant, adviser or substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, may be granted options to subscribe for the Shares. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to above parties and to promote the success of the business of the Group. The Share Option Scheme shall expire at the close of business on 7 June 2029 unless terminated earlier by the shareholders of the Company (the "**Shareholders**") in general meeting. The Directors believe that the Share Option Scheme is important for the recruitment and retention of quality executives and employees.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of this Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Listing Date. Therefore, the Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer is made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

During the year ended 31 March 2019, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times from the Listing date and up to the date of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the period from the Listing Date and up to the date of this annual report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As the Company was not listed on the Stock Exchange as at 31 March 2019, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "**SFO**") and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at 31 March 2019.

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Mr. Ip Chi Ming	Interest in a controlled Corporation *(Note)*	750,000,000	75.0%

Note: The Shares are held by Silver Tide Enterprises Limited, the equity interest of which is owned as to 100% by Mr. Ip Chi Ming. Mr. Ip Chi Ming is deemed to be interested in all the Shares held by Silver Tide Enterprises Limited for the purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this annual report, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As the Company was not listed on the Stock Exchange as at 31 March 2019, Divisions 2 and 3 of Part XV of the SFO and section 352 of the SFO were not applicable to the substantial shareholders and other persons of the Company as at 31 March 2019.

So far as the Directors are aware, as at the date of this annual report, the following persons (not being Directors or chief executive of the Company) have or are deemed or taken to have an interest or short position in the Shares or the underlying Shares 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 would be recorded in the register required to be kept under section 336 of the SFO:

The Company

Name	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Silver Tide Enterprises Limited	Beneficial owner	750,000,000	75.0%
Ms. Wong Fong Choi	Interest of spouse *(Note)*	750,000,000	75.0%

Note: Ms. Wong Fong Choi is Mr. Ip Chi Ming's spouse and is deemed to be interested in the 750,000,000 Shares in which Mr. Ip Chi Ming is interested for the purpose of the SFO.

Save as disclosed above, as at the date of this annual report, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during FY2018/19 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2018/19, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 82.4% (2018: 84.1%) and 33.9% (2018: 36.8%) of the Group's total revenue respectively.

During FY2018/19, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 53.4% (2018: 42.3%) and 23.3% (2018: 18.2%) of the Group's total purchases respectively.

To the best of the knowledge of the Directors, saved as disclosed in this annual report, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in these major customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing Date.

PERMITTED INDEMNITY PROVISION

Every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during FY2018/19 or subsisted at the end of the reporting period.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 40 of this annual report.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for FY2018/19. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
Ip Chi Ming
Chairman, Chief Executive Officer and Executive Director

The Board hereby presents this corporate governance report in the Group's annual report for FY2018/19.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Since the Listing Date and up to the date of this annual report, our Group has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code.

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group's operations, and Mr. Ip Chi Ming's in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of our Company and that it is in the best interest of our Group to have Mr. Ip Chi Ming taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

As the Company was not listed on the Stock Exchange as of 31 March 2019, related rules under the Listing Rules concerning the Model Code that Directors shall observe did not apply to the Company for FY2018/19.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this annual report.

BOARD COMPOSITION

The Board currently comprises two executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to create value to the shareholders of the Company.

Executive Directors:

Mr. Ip Chi Ming *(Chairman and Chief Executive Officer)*
Mr. Lau Woon Wing

Independent Non-executive Directors:

Mr. Law Chi Hung
Mr. Shum Hau Tak
Mr. Pau Chi Hoi

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 18 to 20 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

The current proportion of independent non-executive Director is higher than what is required by Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed under a service contract for a term of three years which is terminable by either party by giving six months' written notice to the other party.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following AGM after his appointment and they will be subject to re-election at such meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors confirmed that they had complied with code provision A.6.5 of the Code during FY2018/19 and up to the date of this annual report, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during FY2018/19 conducted by the Legal Advisor of the Company and relevant training material has been distributed to all the Directors. All Directors had attended the in-house training. The training covered topics which include, the disclosure obligations in Hong Kong, the requirements of disclosable transactions and connected transactions etc. under the Listing Rules.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.silvertide.hk) and the Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Board of Directors" in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Company intends to hold Board meetings regularly and at least four times a year. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

The Company had not been listed on the Stock Exchange during FY2018/19, and was only listed on the Stock Exchange on 28 June 2019. Since the Listing Date and up to the date of this annual report, there were two Board meetings held, at which the Directors approved, among other things, the annual report of the Group for FY2018/19.

Prior notice convening the Board meeting was dispatched to the Directors before the Board meeting setting out the matters to be discussed. At the meeting, the Directors were provided with the relevant documents to be discussed and approved to enable the Directors to make informed decisions. The company secretary of the Company had been responsible for ensuring the procedures of the Board meeting are observed and keeping minutes for the Board meeting which were sent to the Directors for records and are open for inspection at any reasonable time by any Director on reasonable notice.

No general meeting was held since the Listing Date and up to the date of this annual report. The attendance record of each Director at the Board and Board Committee meetings of the Company held since the Listing Date and up to the date of this annual report is set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	**Board Meeting**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Executive Directors				
Mr. Ip Chi Ming	2/2	N/A	1/1	N/A
Mr. Lau Woon Wing	2/2	1/1	N/A	N/A
Independent non-executive Directors				
Mr. Law Chi Hung	2/2	1/1	N/A	1/1
Mr. Shum Hau Tak	2/2	N/A	1/1	1/1
Mr. Pau Chi Hoi	2/2	1/1	1/1	1/1

AUDIT COMMITTEE

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Pau Chi Hoi, Mr. Shum Hau Tak together with Mr. Law Chi Hung, our independent non-executive Director who possesses the appropriate accounting or related financial management expertise, being the chairman of the committee.

The primary duties of the Audit Committee are to review, supervise, and assist our Board in providing an independent view of, our financial reporting processes, and internal control and risk management systems, as well as to oversee the audit process, review our annual and interim financial statements, provide advice and comments to the Board on matters related to corporate governance, and perform other duties and responsibilities as assigned by our Board from time to time.

Since the Listing Date and up to the date of this annual report, the Audit Committee held one meeting. The members of Audit Committee reviewed and discussed with the external auditors of the Company on the Group's audited consolidated financial statements for FY2018/19. They were of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditors of the Group may request a meeting of the Audit Committee to be convened if they consider that is necessary.

REMUNERATION COMMITTEE

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three members, namely Mr. Ip Chi Ming, Mr. Pau Chi Hoi together with Mr. Shum Hau Tak, our independent non-executive Director, being the chairman of the committee.

The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for our Directors; (ii) evaluate the performance of, and make recommendations on the remuneration packages of all Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

Since the Listing Date and up to the date of this annual report, the Remuneration Committee held one meeting to review the remuneration of all Executive Directors and senior management individually.

NOMINATION COMMITTEE

We have established the Nomination Committee with written terms of reference in compliance with paragraph A5 of the CG Code. The nomination committee consists of three members, namely Mr. Law Chi Hung, Mr. Lau Woon Wing, together with Mr. Pau Chi Hoi, our independent non-executive Director, being the chairman of the committee.

The primary functions of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors, and on matters of succession planning.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, length of service, cultural and education background and professional experience.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Since the Listing Date and up to the date of this annual report, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the "**Director Nomination Policy**"), pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board diversity policy of the Company that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board and/or the Company, as well as the Company's development strategies, future goals and growth, in terms of qualifications, skills, experience, independence, gender and race diversity.

- The candidate's role and position as a member of a diverse Board.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of the Directors and succession planning.

As regards selection and appointment of new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

- If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).

- The Nomination Committee should then recommend that the Board appoint the most appropriate candidate for directorship, as applicable.

- For any person that is nominated by a shareholder for election as a director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to Shareholders with respect to the proposed election of Directors at a general meeting.

As regards re-election of Director at general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above.

- The Nomination Committee and/or the Board should then make recommendations to Shareholders in respect of the proposed re-election or replacement of the Directors at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

BOARD DIVERSITY POLICY

The Board recognises and embraces the benefits of having a diverse board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. Therefore, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") on 8 June 2019 to ensure that candidates to the Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and education background and professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Nomination Committee is responsible for implementation, monitoring and periodic review of the Board Diversity Policy to ensure its effectiveness and application.

In particular, the Company values gender diversity and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board. In recognising the importance of gender diversity, the Company is committed to provide career development opportunities for female staff. Further, the Company has confirmed that the Nomination Committee will identify and recommend and the Company will appoint at least two female candidates to the Board as directors of the Company, representing at least a quarter of the Board, within three years from the Listing Date.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for FY2018/19.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 41 to 46 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid/payable to Ernst & Young, the external auditor of the Company in respect of the audit and non-audit services related to the initial public offering amounted to HK$5,560,000.

During FY2018/19, the total fee paid/payable in respect of services (excluding listing relating services) provided by Ernst & Young is set out below:

Service Category	Fees Paid/ Payable HK$'000
Audit services	1,600

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Group's strategic objectives. The Group has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Group has engaged an external independent consultant to conduct a review on the internal control and risk management systems of the Group during FY2018/19 and to report their findings to the Audit Committee and the Board. The scope of review for the year 2019 covered overall management control, risk assessment and management, control procedures for revenue, purchasing, property, plant and equipment and human resource management.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") is Ms. Chow Hoi Fei whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report.

Ms. Chow Hoi Fei has confirmed that he had attained no less than 15 hours of relevant professional training during FY2018/19 as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following Contact Details:

Address: Flat A-B, 14th Floor, Skyline Tower, No. 18 Tong Mi Road, Mongkok, Kowloon, Hong Kong

Fax: (852) 3706 5384

Email: info@silvertide.hk

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through AGMs and other extraordinary general meetings.

At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. The Company maintains a website at www.silvertide.hk as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

DIVIDEND POLICY

In considering the payment of dividends, there shall be a balance between maintaining sufficient capital to grow the Group's business and rewarding the shareholders of the Company. The Board shall take into account the following factors, among other factors:

(a) the Group's operation and financial performance, profitability, business development, prospects, capital requirements and cash flow;

(b) the amount of distributable reserves of the Company;

(c) the expected capital requirements and future expansion plans of the Group;

(d) the economic outlook, the general business and regulatory conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the statutory and regulatory restrictions;

(f) the interests of the shareholders of the Company; and

(g) other factors that the Board deems relevant.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company since the Listing Date and up to the date of this annual report.

The amended and restated memorandum and articles of association of the Company are available on the respective websites of the Stock Exchange and the Company.

To the shareholders of Silver Tide Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Silver Tide Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 101, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matters

Accounting for construction contracts

For the year ended 31 March 2019, the Group's revenue and costs recognised for contract works amounted to approximately HK$400 million and HK$335 million, respectively.

The Group's revenue from construction contracts is recognised over time using the output method, based on direct measurements of the value transferred by the Group to the customer with reference to the certified value of work performed up to the end of the reporting period and the estimated total revenue for the contracts entered into by the Group. The Group's contract costs are recognised when work is performed, together with any provisions for onerous contract.

The Group's revenue and costs for contract works are quantitatively significant to the Group's consolidated financial statements as a whole and the recognition of contract revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and potential liquidation damages and in estimating the provision for onerous contract.

The accounting policies, significant accounting judgement and estimates and disclosures for the Group's revenue and costs of construction contracts are included in notes 2.4, 3 and 5 to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following procedures in relation to the recognition of revenue and costs for construction contracts:

- understanding and evaluating the Group's processes and controls over contract revenue and contract costs recognition and budget estimation;
- testing the calculation of revenue and profits recognised for the current year from construction contracts;
- agreeing the progress towards complete satisfaction of the performance obligation to the customers' latest certificates;
- discussing with management and the related project teams about the progress of major projects, and the estimates and assumptions adopted in the estimation of contract revenue and forecast of contract costs, including historical outcomes for similar contracts, forecasted costs to completion and assessment of potential liquidated damages for major contracts; and
- testing the supporting documents of the estimated revenue and budgets on a sample basis, which include historical outcomes of similar contracts, sub-contracting contracts, material purchase contracts and price quotations, etc.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matter
Recoverability of trade receivables and contract assets	
As at 31 March 2019, the Group's trade receivables and contract assets amounted to approximately HK$42 million and HK$106 million, respectively, which in aggregate represented about 75% of the current assets of the Group. Significant management judgement is required to assess the recoverability of trade receivables and contract assets. Management performed a detailed analysis which considered customers' ageing profile, credit history and historical payment pattern for the estimation of expected credit losses ("ECLs") on its trade receivable and contract assets. The accounting policies, significant accounting judgement and estimate and disclosures for the recoverability of trade receivables and contract assets are included in notes 2.4, 3, 14, 15 and 31 to the consolidated financial statements.	We have performed the following procedures in relation to the recoverability of trade receivables and contract assets: • understanding and evaluating the Group's processes and controls over the collection and the assessment of the recoverability of trade receivables and contract assets; • obtaining and evaluating the management's assessment on the ECLs of trade receivables and contract assets with reference to the historical payment records, public available information and credit history of the Group's customers; • testing the ageing of trade receivables and contract assets at the end of the reporting period on a sample basis; • testing the subsequent settlements and the latest amounts of revenue certified by customers on a sample basis; and • checking material trade receivables and contract assets balances by inspecting relevant contracts and correspondence with the customers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

17 July 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**399,875**	361,873
Cost of sales	6	**(335,360)**	(308,471)
Gross profit		**64,515**	53,402
Other income and gains	5	**35**	107
Administrative expenses		**(25,893)**	(8,199)
Other expenses		**–**	(7)
Finance costs	7	**(809)**	(591)
PROFIT BEFORE TAX	6	**37,848**	44,712
Income tax expense	10	**(8,515)**	(7,490)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,333**	37,222
Profit attributable to owners of the parent		**29,333**	37,222
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**HK3.9 cents**	HK5.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,948**	388
CURRENT ASSETS			
Contract assets	14	**105,902**	93,195
Trade receivables	15	**42,418**	34,780
Due from a director	28(c)	**–**	5,409
Due from a related party	28(c)	**55**	–
Prepayments, other receivables and other assets	16	**13,558**	4,278
Cash and cash equivalents	17	**36,126**	63,716
Total current assets		**198,059**	201,378
CURRENT LIABILITIES			
Contract liabilities	14	**–**	12,921
Trade and retention payables	18	**28,528**	38,699
Due to a related party	28(c)	**–**	1,962
Other payables and accruals	19	**5,546**	3,914
Interest-bearing bank loans	20	**30,613**	33,019
Tax payables		**2,432**	5,190
Total current liabilities		**67,119**	95,705
NET CURRENT ASSETS		**130,940**	105,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**135,888**	106,061
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	**530**	36
Total non-current liabilities		**530**	36
Net assets		**135,358**	106,025

	Notes	**2019**	2018
		HK$'000	HK$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	**–**	–
Reserves	23	**135,358**	106,025
Total equity		**135,358**	106,025

Ip Chi Ming
Director

Lau Woon Wing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Attributable to owners of the parent			
	Share capital HK$'000 Note 22	**Merger reserve*** HK$'000 Note 23 (b)	**Retained profits*** HK$'000	**Total** HK$'000
At 1 April 2017	–	2,000	68,103	70,103
Profit and total comprehensive income for the year	–	–	37,222	37,222
Interim dividend paid by a subsidiary (note 11)	–	–	(1,300)	(1,300)
At 31 March 2018 and 1 April 2018	–	2,000	104,025	106,025
Profit and total comprehensive income for the year	–	–	29,333	29,333
At 31 March 2019	–	2,000	133,358	135,358

* These reserve accounts comprise the consolidated reserves of HK$135,358,000 (2018: HK$106,025,000) in the consolidated statement of financial position.

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**37,848**	44,712
Adjustments for:			
Depreciation	6	**577**	264
Finance costs	7	**809**	591
Interest income	5	**(24)**	(12)
Losses on disposal of items of property, plant and equipment	6	**–**	7
		1,362	850
Increase in contract assets		**(12,707)**	(35,159)
Increase/(decrease) in contract liabilities		**(12,921)**	8,463
Increase in trade receivables		**(7,638)**	(14,220)
Increase in prepayments, other receivables and other assets		**(9,280)**	(93)
Increase/(decrease) in trade and retention payables		**(10,171)**	16,437
Increase/(decrease) in other payables and accruals		**1,632**	(3,156)
Cash generated from/(used in) operations		**(11,875)**	17,834
Bank interest received		**24**	12
Income tax paid		**(10,779)**	(5,059)
Net cash flows from/(used in) operating activities		**(22,630)**	12,787
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(5,137)**	(338)
Decrease/(increase) in an amount due from a director		**5,409**	(3,106)
Increase in an amount due from a related party		**(55)**	–
Net cash flows from/(used in) investing activities		**217**	(3,444)

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	24	**40,000**	74,362
Interest paid for bank loans		**(809)**	(591)
Repayments of bank loans	24	**(42,406)**	(52,313)
Decrease in an amount due to a related party	24	**(1,962)**	(9,281)
Dividend paid		**–**	(1,300)
Net cash flows from/(used in) financing activities		**(5,177)**	10,877
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(27,590)**	20,220
Cash and cash equivalents at beginning of year		**63,716**	43,496
CASH AND CASH EQUIVALENTS AT END OF YEAR		**36,126**	63,716
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	17	**36,126**	63,716

1. CORPORATE AND GROUP INFORMATION

Silver Tide Holdings Limited (the "Company") is an exempted company incorporated in the Cayman Islands on 24 July 2018 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of operations of the Company is located at Room A-B, 14F, Skyline Tower, No.18 Tong Mi Road, Mongkok, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2019 (the "Listing Date").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing construction services including traditional formwork using timber and plywood, system formwork using aluminium and steel and ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong.

Pursuant to the reorganisation of the Company in connection with the listing of its shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 5 September 2018. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 18 June 2019 (the "Prospectus").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Silver Tide Enterprises Limited ("Silver Tide Enterprises"), which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Forest Honour Limited	BVI	US$1	100	–	Investment holding
Hop Fat Yuk Ying Engineering Limited	Hong Kong	HK$2,000,000	–	100	Construction services

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 5 September 2018. As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, these financial statements have been presented as a continuation of the exiting companies using the pooling of interests method as if the Reorganisation had been completed at the beginning of the reporting period.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group are prepared as if the current group structure had been in existence throughout the reporting period. The consolidated statement of financial position as at 31 March 2018 and 2019 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date. All intragroup transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 April 2018 have been early adopted by the Group in the preparation of the financial statements for the year ended 31 March 2018.

These financial statements are the first set of the Group's financial statements prepared in accordance with HKFRSs. The Group did not present any consolidated financial statements for periods prior to 1 April 2015.

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis for consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.2 BASIS OF PREPARATION (continued)

Basis for consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments.

Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the reducing balance method to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimate useful lives are as follows:

Furniture, fixtures and office equipment	5 years
Tools and equipment	5 years
Motor vehicles	5 years
Computer equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognised an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables and accruals, an amount due to a related party and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue by reference to completion of the specific transaction assessed on the basis of the work certified up to the end of the reporting period as a percentage of total contract value for each contract.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original contract. Claims are accounted for as variable considerations and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable considerations is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable considerations to which the Group will be entitled.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs

Other than the costs which are capitalised as property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Accounting for construction contracts

The Group's revenue from construction contracts are recognised over time using the output method and is measured in accordance with the progress towards complete satisfaction of the performance obligations. Budgeted contract costs are prepared by the management on the basis of contract concluded with and/or quotations provided by the major sub-contractors, suppliers or vendors involved from time to time and the experience of the management. The profitability of each project is dependent on the estimation of the total outcome of the contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs to completion, variation orders and contract claims prepared for each construction contract as the contract progresses. Significant judgement is required in estimating the contract revenue, contract costs to completion, variation works and contract claims which may have an impact in terms of progress towards complete satisfaction of the performance obligations and recognition of profit. Actual outcomes of total contract revenue and contract costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Recoverability of trade receivables and contract assets

The policy for impairment of trade receivables and contract assets of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and contract assets as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. Significant judgement and estimates are required in assessing the ultimate realisation of these assets, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in note 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of construction services in Hong Kong.

The information reported to the directors of the Group, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

No geographical information is presented as the Group's revenue was solely derived from customers and operations based in Hong Kong and the non-current assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2019	2018
	HK$'000	HK$'000
Customer I	**N/A***	85,820
Customer II	**67,508**	133,197
Customer III	**64,818**	42,272
Customer IV	**135,543**	N/A*

* Less than 10% of the Group's revenue.

Except for the aforesaid, no other single external customer accounted for 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

All revenue is recognised over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

An analysis of revenue, other income and gains is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Construction services		
Private sector	348,480	340,532
Public sector	51,395	21,341
	399,875	361,873
Other income and gains		
Bank interest income	24	12
Government grants	–	88
Others	11	7
	35	107

Revenue from contracts with customers

Performance obligation

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 60 days from the date of issuance of payment certificate. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Included in the revenue recognised for the year ended 31 March 2019 was revenue of HK$550,000 (2018: HK$147,000) which was related to performance obligations satisfied in prior periods.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Unsatisfied performance obligations related to construction contracts:

	2019 HK$'000	2018 HK$'000
Expected to be recognised within one year	**465,744**	302,499
Expected to be recognised after one year	**225,017**	46,858
Total transaction price allocated to the unsatisfied performance obligations as of year end	**690,761**	349,357

The remaining performance obligations expected to be recognised after one year relate to construction services that are to be satisfied within three years. All other remaining performance obligations are expected to be recognised within one year. The amount disclosed above do not include variable consideration which is constrained.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	2019 HK$'000	2018 HK$'000
Contract costs		**335,360**	308,471
Depreciation	13	**577**	264
Auditors' remuneration		**1,600**	50
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))			
Wages and salaries*		**8,973**	7,106
Pension scheme contributions*		**291**	237
		9,264	7,343
Minimum lease payments under operating leases		**5,786**	5,695
Losses on disposal of items of property, plant and equipment**		**–**	7
Government grants***		**–**	(88)

6. PROFIT BEFORE TAX (continued)

* During the year, wages and salaries of HK$4,307,000 (2018: HK$3,654,000) and pension scheme contributions of HK$135,000 (2018: HK$117,000), respectively, are included in contract costs disclosed above.

** The losses on disposal of items of property, plant and equipment are included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** Grants have been received from the Government of the Hong Kong Special Administrative Region mainly for disposing diesel powered vehicle. There were no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 **HK$'000**	2018 HK$'000
Interest on bank loans	**809**	591

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 **HK$'000**	2018 HK$'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,099**	2,562
Pension scheme contributions	**36**	36
	2,135	2,598

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

Mr. Shum Hau Tak, Mr. Pau Chi Hoi and Mr. Law Chi Hung were appointed as independent non-executive directors of the Company on 8 June 2019. There was no emolument payable to the independent non-executive directors during the year.

(b) Executive directors

2019

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Ip Chi Ming *	–	1,319	18	1,337
Mr. Lau Woon Wing **	–	780	18	798
	–	2,099	36	2,135

2018

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Ip Chi Ming *	–	1,316	18	1,334
Mr. Lau Woon Wing **	–	1,246	18	1,264
	–	2,562	36	2,598

* Mr. Ip Chi Ming was appointed as an executive director and the chief executive of the Company with effect from 24 July 2018.

** Mr. Lau Woon Wing was appointed as executive director of the Company with effect from 24 August 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two directors (2018: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	2,158	1,402
Pension scheme contributions	54	47
	2,212	1,449

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	3	3

During the years ended 31 March 2018 and 2019, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group.

10. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Commencing from the year ended 31 March 2019, the assessable profits of a Hong Kong incorporated subsidiary (as elected by the directors) are subjected to the two-tiered profit tax rates regime which was effective on 28 March 2019 that the first HK$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%.

	2019 **HK$'000**	2018 HK$'000
Current – Hong Kong		
Charge for the year	**8,021**	7,490
Deferred (note 21)	**494**	–
Total tax charge for the year	**8,515**	7,490

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Group's major subsidiary is domiciled to the tax expense at the effective tax rate is as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**37,848**	44,712
Tax at the statutory tax rate	**6,245**	7,377
Tax reduction for the year	**(20)**	(30)
Expenses not deductible for tax	**2,453**	146
Tax effect of two-tiered profits tax regime	**(165)**	–
Others	**2**	(3)
Tax charge at the Group's effective rate	**8,515**	7,490

11. DIVIDENDS

During the year ended 31 March 2018 and before the completion of the Reorganisation, a subsidiary of the Group declared interim dividends of HK$1,300,000 to its then shareholders. Such interim dividends were paid during the year ended 31 March 2018.

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 750,000,000 (2018: 750,000,000) in issue during the year, on the assumption that the Capitalisation Issue (as defined in note 22(c)) in connection with the listing of the shares of the Company had been completed on 1 April 2017.

The calculation of basic and diluted earnings per share is based on:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company for the purpose of calculating earnings per share	**29,333**	37,222

	Number of shares	
	2019 '000	2018 '000
Shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**750,000**	750,000

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the years ended 31 March 2019 and 2018 was based on 750,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the Capitalisation Issue, as if all these shares had been in issue throughout the years ended 31 March 2019 and 2018.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 March 2019					
At 1 April 2018:					
Cost	27	348	859	63	1,297
Accumulated depreciation	(20)	(250)	(624)	(15)	(909)
Net carrying amount	7	98	235	48	388
At 1 April 2018, net of accumulated depreciation	7	98	235	48	388
Additions	62	5,025	–	50	5,137
Depreciation provided during the year (note 6)	(19)	(466)	(81)	(11)	(577)
At 31 March 2019, net of accumulated depreciation	50	4,657	154	87	4,948
At 31 March 2019:					
Cost	89	5,373	859	113	6,434
Accumulated depreciation	(39)	(716)	(705)	(26)	(1,486)
Net carrying amount	50	4,657	154	87	4,948

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fixtures and office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 March 2018					
At 1 April 2017:					
Cost:	27	348	658	36	1,069
Accumulated depreciation	(18)	(184)	(541)	(5)	(748)
Net carrying amount	9	164	117	31	321
At 1 April 2017, net of accumulated depreciation	9	164	117	31	321
Additions	–	–	311	27	338
Disposals	–	–	(7)	–	(7)
Depreciation provided during the year (note 6)	(2)	(66)	(186)	(10)	(264)
At 31 March 2018, net of accumulated depreciation	7	98	235	48	388
At 31 March 2018:					
Cost	27	348	859	63	1,297
Accumulated depreciation	(20)	(250)	(624)	(15)	(909)
Net carrying amount	7	98	235	48	388

14. CONTRACT ASSETS/(LIABILITIES)

	2019 HK$'000	2018 HK$'000
Contract assets		
Unbilled revenue	**43,620**	39,743
Retention receivables	**62,282**	53,452
	105,902	93,195
Contract liabilities	**–**	(12,921)
	105,902	80,274

14. CONTRACT ASSETS/(LIABILITIES) (continued)

Movements in contract assets:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**93,195**	58,036
Addition in contract assets	**60,014**	58,488
Transfers to trade receivables	**(35,022)**	(17,618)
Collection of retention receivables	**(12,285)**	(5,711)
Balance at end of the year	**105,902**	93,195

Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the quality and quantity check by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

Retention receivables included in contract assets represents the Group's right to consideration for work performed but not yet collectible because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

The increase in contract assets as at 31 March 2019 and 2018 was the result of the increase in the provision of construction services during these years.

Among the above contract assets, HK$54,941,000 as at 31 March 2019 (2018: HK$53,057,000) are expected to be recovered after twelve months from the end of the reporting period.

Details of expected credit losses are disclosed in note 31 to the financial statements.

14. CONTRACT ASSETS/(LIABILITIES) (continued)

Movements in contract liabilities:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**12,921**	4,458
Receipts from customers	**–**	12,921
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(12,921)**	(4,458)
Balance at end of the year	**–**	12,921

The contract liabilities primarily relate to the Group's obligation to transfer services to customers for which the Group has received consideration from the customers.

15. TRADE RECEIVABLES

Trade receivables represented receivables for contract works. Management generally submit interim payment applications to customers on a monthly basis containing a statement setting out management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of works completed and issue an interim payment certificate within 60 days. Within 60 days after the issuance of the interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables based on the progress payment certificate date is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**33,277**	30,437
31 to 60 days	**6,184**	4,343
61 to 90 days	**2,093**	–
Over 90 days	**864**	–
	42,418	34,780
Impaired	**–**	–

Details of expected credit losses are disclosed in note 31 to the financial statements.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		2019 HK$'000	2018 HK$'000
Reimbursable expense	(a)	**4,558**	4,145
Prepayments	(b)	**8,894**	–
Others		**106**	133
		13,558	4,278

(a) The amounts represented costs incurred by the Group for personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The amounts are covered by the main contractors' all risk insurance and are expected to be recovered from the main contractors.

(b) As at 31 March 2019, the amounts represented the prepayment for listing expenses and prepayment for purchases of raw materials amounted to HK$3,698,000 and HK$5,196,000, respectively.

Details of expected credit losses are disclosed in note 31 to the financial statements.

17. CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**36,126**	63,716

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of the reporting period, based on the invoice date or the progress payment certificate date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	28,183	36,545
31 to 60 days	99	29
61 to 90 days	4	38
Over 90 days	–	14
	28,286	36,626
Retention payables	242	2,073
	28,528	38,699

At 31 March 2019 and 2018, all retention payables were expected to be settled ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

19. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	4,752	3,814
Other payables	794	100
	5,546	3,914

Other payables are non-interest-bearing and have an average term of two months.

20. INTEREST-BEARING BANK LOANS

	As at 31 March 2019		As at 31 March 2018	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Current				
Bank loans – secured or guaranteed	**HIBOR plus 1.35% – 2.75%**	**30,613**	HIBOR plus 1.35% – 2.75%	33,019

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**30,613**	33,019

As further explained in note 31 to the financial statements, the Group's term loans with an aggregate amount of 30,613,000 as at 31 March 2019 (2018: HK$33,019,000), containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are:

	2019 HK$'000	2018 HK$'000
Analysed into:		
Within one year or on demand	**22,456**	22,427
In the second year	**2,513**	2,470
In the third to fifth years, inclusive	**5,644**	7,683
Beyond five years	**–**	439
	30,613	33,019

Notes:

(a) As at 31 March 2018, the balances of the bank loans were secured and/or guaranteed as to: (i) HK$13,019,000 by Mr. Ip Chi Ming and two premises held by Yuk Ying Development Company Limited; and (ii) HK$20,000,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK$31,500,000 each and Mr. Ip Chi Ming with a total guarantee amount of HK$20,000,000.

(b) As at 31 March 2019, the balances of the bank loans were secured and/or guaranteed as to: (i) HK$10,613,000 by Mr. Ip Chi Ming and two premises held by Yuk Ying Development Company Limited; and (ii) HK$20,000,000 by Mr. Ip Chi Yuk and Ms. Chan Wai Ying with a total guarantee amount of HK$31,500,000 each and Mr. Ip Chi Ming with a total guarantee amount of HK$20,000,000.

20. INTEREST-BEARING BANK LOANS (continued)

Notes: (Continued)

(c) The carrying amounts of the bank loans of the Group approximate to their fair values.

(d) The Group's bank loans are all denominated in Hong Kong dollars.

21. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	2019 Accelerated tax depreciation HK$'000	2018 Accelerated tax depreciation HK$'000
At the beginning of the year	**36**	36
Deferred tax charged to profit or loss during the year (note 10)	**494**	–
At the end of the year	**530**	36

22. SHARE CAPITAL

Shares

The movements in the Company's share capital during the period from 24 July 2018 (date of incorporation) to 31 March 2019 were as follows:

	Notes	Number of shares in issue	Amount HK$'000
Authorised:			
At 24 July 2018 (date of incorporation)	(a)	38,000,000	380
Issued and fully paid:			
At 24 July 2018 (date of incorporation)	(a)	1	–
Issue of new shares pursuant to the Reorganisation	(b)	99	–
At 31 March 2019		100	–

22. SHARE CAPITAL (continued)

(a) The Company was incorporated in the Cayman Island on 24 July 2018 with initial authorised share capital of 38,000,000 shares at a par value of HK$0.01. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

(b) On 5 September 2018, 99 shares with a par value of HK$0.01 each was allotted and issued by the Company pursuant to the Reorganisation.

(c) On 8 June 2019, an ordinary resolution of the Company was passed and pursuant to which the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 additional shares of HK$0.01 each.

Pursuant to the resolutions of the shareholder passed on 25 June 2019, the Company allotted and issued a total of 749,999,900 ordinary shares, credited as fully paid at par, to Silver Tide Enterprises on 28 June 2019 by way of capitalisation of the sum of HK$7,499,999 standing to the credit of the share premium account of the Company (the "Capitalisation Issue").

(d) In connection with the listing of the shares of the Company on the Stock Exchange (the "Share Offer"), 250,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.5 per share for a total cash consideration, before expenses, of HK$125,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 28 June 2019.

Shares options

On 8 June 2019, the share option scheme of the Company was conditionally adopted by the shareholders by way of a written resolution. Details of the principal terms of the share option scheme are summarised in the section headed "(D) Share Option Scheme" in appendix V to the Prospectus.

23. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 50.

(b) Merger reserve

The merger reserve represents the aggregate of the paid-up share capital of the subsidiaries now comprising the Group before the completion of the Reorganisation.

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Interest-bearing bank loans HK$'000	Due to related parties HK$'000
At 1 April 2017	10,970	11,243
Changes from financing cash flows	22,049	(9,281)
At 31 March 2018 and 1 April 2018	33,019	1,962
Changes from financing cash flows	(2,406)	(1,962)
At 31 March 2019	30,613	–

25. CONTINGENT LIABILITIES

Claims of personal injuries

In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to two years.

As at 31 March 2019 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**275**	314
In the second to fifth years, inclusive	**–**	275
	275	589

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Tools and equipment	4,180	–

28. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Ip Chi Ming	Director of the Company
Mr. Ip Chi Yuk	Father of Mr. Ip Chi Ming
Ms. Chan Wai Ying	Mother of Mr. Ip Chi Ming
Mr. Ip Chi Hung	Brother of Mr. Ip Chi Ming
Hop Fat Structural Steel Engineering Company Limited	A company controlled by Mr. Ip Chi Hung
Silver Tide Enterprises	Ultimate holding company of the Company
Yuk Ying Development Company Limited	A company controlled by Mr. Ip Chi Yuk and Ms. Chan Wai Ying

(b) Transactions with related parties:

Details of bank loans secured or guaranteed by related parties were disclosed in note 20 to the financial statements.

(c) Outstanding balances with related parties:

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from/to related parties at 31 March 2019 and 2018 respectively.

Due from a director:

Name	2019 HK$'000	2018 HK$'000
Mr. Ip Chi Ming	–	5,409

The amount due from a director was non-trade, unsecured, interest-free and repayable on demand.

28. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties (continued)

Due from a related party:

Name	2019 HK$'000	2018 HK$'000
Silver Tide Enterprises	55	–

The amount due from a related party was non-trade, unsecured, interest-free and repayable on demand.

Due to a related party:

Name	2019 HK$'000	2018 HK$'000
Hop Fat Structural Steel Engineering Company Limited	–	1,962

The amount due to a related party was non-trade, unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	3,697	2,908
Pension scheme contributions	86	51
	3,783	2,959

The above compensation of key management personnel includes the directors' and chief executive's remuneration, details of which are set out in note 8 to the financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets:

	Financial assets at amortised cost	
	2019	2018
	'000	'000
Trade receivables	**42,418**	34,780
Financial assets included in prepayments, other receivables and other assets	**4,664**	4,278
Due from a director	**–**	5,409
Due from related parties	**55**	–
Cash and cash equivalents	**36,126**	63,716
	83,263	108,183

Financial liabilities:

	Financial liabilities at amortised cost	
	2019	2018
	'000	'000
Trade and retention payables	**28,528**	38,699
Financial liabilities included in other payables and accruals	**794**	100
Due to related parties	**–**	1,962
Interest-bearing bank loans	**30,613**	33,019
	59,935	73,780

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, due from a director, due from the ultimate holding company, financial assets included in prepayments, other receivables and other assets, trade and retention payables, due to a related party, financial liabilities included in other payables and accruals and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 31 March 2019 and 2018 was assessed to be insignificant.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank loans, cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. It is the Group's policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity:

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 March 2019			
HK$	**100**	**(306)**	**–**
HK$	**(100)**	**306**	**–**
31 March 2018			
HK$	100	(330)	–
HK$	(100)	330	–

* Excluding retained profits.

Credit risk

The Group's credit risk is primarily attributable to contract assets, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from a director and related parties and cash and bank balances. The Group's maximum credit risk exposure at the end of the reporting period in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the consolidated statements of financial position.

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis. The Group's trade receivables from contract work represent interim billings certified by the customers under terms as stipulated in the contracts. As the Group's customers in respect of contract work primarily consist of main contractors in the construction industry, property developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract work is not significant.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's largest external debtor and the Group's five largest external debtors, respectively.

	2019	2018
	%	%
Percentage of total trade receivables due from:		
Group's largest external debtor	35.5	35.8
Group's five largest external debtors	88.1	94.9

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the financial statements.

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. With the incorporation of forward-looking information in the ECLs, management considered that the expected credit loss rate for the Group's trade receivables and contract assets is minimal and therefore no provision for impairment of trade receivables and contract assets is necessary as at 31 March 2019 and 2018.

For financial assets included in other receivables, balances due from a director and related party (the "Other Financial Assets"), the Group applied the general approach to provide for impairment for ECLs prescribed by HKFRS 9. None of the Other Financial Assets as at 31 March 2019 and 2018 were overdue, and all balances were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed throughout the reporting period, which are estimated by applying the probability of default approach with reference to the risks of default of the debtors or comparable companies. Management considered that the expected credit loss rate for the Group's Other Financial Assets is minimal and therefore no provision for impairment of Other Financial Assets was made as at 31 March 2019 and 2018.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure

The table below shows the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019 and 2018.

	2019 HK$'000	2018 HK$'000
Lifetime ECLs and simplified approach:		
Trade receivables	**42,418**	34,780
Contract assets	**105,902**	93,195
	148,320	127,975

	Stage 1 HK$'000	Stage 1 HK$'000
12-month ECLs:		
Due from director – Normal*	**–**	5,409
Due from a related party – Normal*	**55**	–
Financial assets included in prepayments, other receivables and other assets – Normal*	**4,664**	4,278
Cash and cash equivalents	**36,126**	63,716
	40,845	73,403
	189,165	201,378

* The credit quality of these financial assets was considered to be "normal" when they are not past due and there were no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets was considered to be "doubtful".

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 March 2019			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Interest-bearing bank loans (note)	30,613	–	–	30,613
Trade and retention payables	242	28,286	–	28,528
Financial instruments included in other payables and accruals	–	741	53	794
	30,855	29,027	53	59,935

	As at 31 March 2018			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Interest-bearing bank loans (note)	33,019	–	–	33,019
Due to a related party	1,962	–	–	1,962
Trade and retention payables	2,073	36,626	–	38,699
Financial instruments included in other payables and accruals	–	47	53	100
	37,054	36,673	53	73,780

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note:

As at 31 March 2019, included in interest-bearing bank loans are term loans with an aggregate carrying amount of HK$30,613,000 (2018: HK$33,019,000). The respective loan agreements of these term loans contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the related loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year or on demand	**23,527**	23,388
In the second year	**2,672**	2,640
In the third to fifth years, inclusive	**5,789**	7,921
Beyond five years	**–**	440
	31,988	34,389

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as raising new debts. The Group's overall strategy remained unchanged during the years ended 31 March 2019 and 2018.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a net debt to equity ratio, which is net debt divided by the equity attributable to owners of the parent. Net debt includes total interest-bearing bank loans and due to related parties, net of cash and bank balances. The net debt to equity ratios as at the end of each reporting period were as follows:

	2019 HK$'000	2018 HK$'000
Interest-bearing bank loans	30,613	33,019
Due to related parties	–	1,962
Less: Cash and cash equivalents	36,126	63,716
Net cash and bank balances	(5,513)	(28,735)
Equity attributable to owners of the parent	135,358	106,025
Net debt to equity ratio	NA	NA

32. EVENTS AFTER THE REPORTING PERIOD

On 28 June 2019, the Company's shares were listed on the Main Board of the Stock Exchange and further details are disclosed in note 22 to the financial statements.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000
CURRENT ASSETS	
Cash and cash equivalents	55
Total current assets	55
CURRENT LIABILITIES	
Due to a subsidiary	107
Total current liabilities	107
NET CURRENT LIABILITIES AND NET LIABILITIES	(52)
DEFICIENCY IN ASSETS	
Share capital	–
Accumulated losses	(52)
Total deficiency in assets	(52)

Ip Chi Ming
Director

Lau Woon Wing
Director

Note:

A summary of the Company's reserves is as follows:

	Share capital HK$'000 Note 22	Accumulated losses HK$'000	Total HK$'000
At 24 July 2018 (date of incorporation)	–	–	–
Loss and total comprehensive loss for the period	–	(52)	(52)
At 31 March 2019	–	(52)	(52)

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 July 2019.

FOUR-YEAR FINANCIAL SUMMARY

RESULT	2019 HK$'000	Year ended 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**399,875**	361,873	378,627	199,423
Profit before income tax	**37,848**	44,712	21,956	21,708
Income tax expenses	**8,515**	7,490	3,597	3,636
Profit for the year	**29,333**	37,222	18,359	18,072

ASSETS, EQUITY AND LIABILITIES	2019 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000
ASSETS				
Non-current assets	**4,948**	388	321	257
Current assets	**198,059**	201,378	142,942	96,529
Total assets	**203,007**	201,766	143,263	96,786
EQUITY AND LIABILITIES				
Total equity	**135,358**	106,025	70,103	51,744
Non-current liabilities	**530**	36	36	36
Current liabilities	**67,119**	95,705	73,124	45,006
Total liabilities	**67,649**	95,741	73,160	45,042
Total equity and liabilities	**203,007**	201,766	143,263	96,786

Note: The summary of the results of the Group for each of the three years ended 31 March 2016, 2017, 2018 and of the assets, equity and liabilities as at 31 December 2016, 2017 and 2018 have been extracted from the Prospectus.

The summary above does not form part of the audited financial statements.