



Silver Tide Holdings Limited

銀濤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1943

Interim 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

Flat A-B, 14th Floor

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)

Authorised representatives

Mr. Ip Chi Ming

Ms. Chow Hoi Fei

(Certified Public Accountant)

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

Auditors

Ernst & Young

(Certified Public Accountants)

22nd Floor, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Compliance adviser

Grande Capital Limited

Room 2701, 27th Floor, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

Legal adviser as to Hong Kong law

D.S. Cheung & Co.
29th Floor, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

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 Islands

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue of Silver Tide Holdings Limited (the “Company”) and its subsidiaries (the “Group”) increased from approximately HK\$204.9 million for the six months ended 30 September 2018 to approximately HK\$248.0 million for the six months ended 30 September 2019, representing an increase of approximately 21.0%. Such increase was mainly due to:

- (i) we derived substantial revenue of approximately HK\$96.3 million for the six months ended 30 September 2019 from two projects with an initial contract sum of approximately HK\$103.4 million and HK\$82.4 million that commenced in December 2018 and November 2018 respectively; and
- (ii) partially offset by a decrease in revenue derived from projects which contributed revenue for the six months ended 30 September 2018 and 2019.

Gross profit and gross profit margin

During the six months ended 30 September 2019, the Group’s gross profit decreased by approximately HK\$11.6 million or 37.3% from approximately HK\$31.2 million for the six months ended 30 September 2018 to approximately HK\$19.6 million for the six months ended 30 September 2019. The decrease in gross profit was mainly resulted from (i) an increase in the subcontracting charges due to the unexpected delay in certain formwork works projects as a result of recent social unrest in Hong Kong; (ii) an increase in construction materials and consumables costs as we have procured substantial amount of construction materials and consumables upfront before the commencement of major stage for certain projects as requested by the customers during the six months ended 30 September 2019; and (iii) the increase in depreciation expenses during the six months ended 30 September 2019 mainly due to the addition of metal scaffold equipment.

The Group’s gross profit margin decreased from approximately 15.2% for the six months ended 30 September 2018 to approximately 7.9% for the six months ended 30 September 2019.

Other income

Other income increased by approximately HK\$0.4 million from approximately HK\$0.01 million for the six months ended 30 September 2018 to approximately HK\$0.5 million for the six months ended 30 September 2019, representing an increase of approximately 3,438.5%. Such increase was mainly attributable to the increase in bank interest income generated from fixed bank deposit.

Administrative expenses

Administrative expenses increased from approximately HK\$12.9 million for the six months ended 30 September 2018 to approximately HK\$14.7 million for the six months ended 30 September 2019, representing an increase of approximately 14.1%. Such increase was mainly attributable to the increase in the staff cost during the six months ended 30 September 2019 which was mainly due to the increase in number of administrative staff.

Finance costs

Finance costs increased from approximately HK\$0.5 million for the six months ended 30 September 2018 to approximately HK\$0.6 million for the six months ended 30 September 2019, representing an increase of approximately 26.0%. Such increase was mainly attributable to the increase in interest expense on existing bank loans during the six months ended 30 September 2019.

Income tax

Income tax expenses decreased to approximately HK\$1.8 million for the six months ended 30 September 2019 compared to approximately HK\$4.2 million for the six months ended 30 September 2018, representing a decrease of approximately 56.3%. Such decrease was mainly due to the decrease in assessable profits and non-deductible expenses of the Group during the six months ended 30 September 2019.

Profit attributable to the equity shareholders of the Company

As a result of the foregoing, the profit attributable to the equity shareholders of the Company amounted to approximately HK\$3.0 million for the six months ended 30 September 2019 as compared to approximately HK\$13.8 million for the six months ended 30 September 2018, representing a decrease of approximately 78.3%.

Interim dividend

The board of Directors (the “**Board**”) has resolved not to recommend the declaration of any interim dividend for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 September 2019, the cash and cash equivalents, net current assets and total assets less current liabilities were approximately HK\$115.2 million (as at 31 March 2019: approximately HK\$36.1 million), approximately HK\$235.1 million (as at 31 March 2019: approximately HK\$130.9 million) and approximately HK\$248.8 million (as at 31 March 2019: approximately HK\$135.9 million), respectively.

Contingent liabilities

As at 30 September 2019, the Group did not have any material contingent liabilities (as at 31 March 2019: nil).

Capital commitments

As at 30 September 2019, the Group had capital commitments of approximately HK\$4.4 million (as at 31 March 2019: approximately HK\$4.2 million) contracted but not provided for the acquisition of property, plant and equipment.

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 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.

Foreign currency risk

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions are denominated in Hong Kong dollars. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should and when appropriate.

Gearing ratio

As at 30 September 2019, the Group's gearing ratio was approximately 12.1% (as at 31 March 2019: approximately 22.6%), representing total bank and other borrowings as a percentage of total equity. The decrease in gearing ratio was attributed to the decrease in interest-bearing bank loans from approximately HK\$30.6 million as at 31 March 2019 to approximately HK\$20.0 million as at 30 September 2019.

Segment information

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements in this interim report, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2019.

BUSINESS REVIEW AND FUTURE PROSPECT

During the reporting period, the Group was principally engaged in the provision construction services including timber works, aluminium formworks and ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong. As at 30 September 2019, the Group had 12 projects on hand with total initial contract sum amounting to approximately HK\$1,053 million.

Looking ahead, it is probable that the formwork works industry will face challenges and competition due to the uncertainties of construction industry in Hong Kong. Hong Kong construction developers may adopt pricing strategies and conservative development plans in the near future. To face such challenges and competition, the Group will plan to implement the following strategies to strengthen its competitiveness and operational efficiency:

1. The Group will continue to try its best to implement tight cost control measures on existing projects, improve the efficiency of work-flow throughout the construction process, and strengthen the effectiveness of project management.
2. The Group expects that some potential projects with considerable potential profit will be tendered by construction developers later this year. Therefore, the Group will retain some of the resources and capital in order to maintain market competitiveness, and increase the opportunities to win the said projects.
3. The Group will acquire more metal scaffolding equipment so as to reduce our reliance on external metal scaffolding equipment suppliers. In addition, the Group plans to rent warehouses for storing metal scaffolding equipment in order to increase flexibility in the allocation of metal scaffolding equipment for different projects.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the reporting period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the reporting period, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 18 June 2019 (the “**Prospectus**”), the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed 29 employees in Hong Kong (as at 31 March 2019: 21 employees). The remuneration package that the Group offers to employees includes salary, bonuses and other cash subsidies. In general, the 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.

USE OF PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

The shares of the Company (the “**Shares**”) have been listed and traded on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 28 June 2019 (the “**Listing**”). The estimated net proceeds from the Listing amounted to approximately HK\$86.8 million as disclosed in the “**Announcement of Offer Price and Allocation Results**” dated 27 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The utilisation of net proceeds raised by the Group from the Listing up to 30 September 2019 is as below.

	Planned use of net proceeds as stated in the Prospectus HK\$ million	Actual use of net proceeds up to 30 September 2019 HK\$ million	Unutilised balance up to 30 September 2019 HK\$ million
Financing the startup costs for projects commencing from the calendar year 2019	78.0	9.4	68.6
Purchasing metal scaffold equipment and related expenses	<u>8.8</u>	<u>3.0</u>	<u>6.0</u>
Total	<u><u>86.8</u></u>	<u><u>12.4</u></u>	<u><u>74.6</u></u>

The unused amount of the net proceeds of approximately HK\$74.6 million was deposited into licensed banks in Hong Kong.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 September 2019, none of the Directors or the controlling shareholders of the Company and their respective associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”)) had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

To the best knowledge of the Board, except for the deviation from the code provision A.2.1 of the CG Code, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2019 and up to the date of this interim report.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered (i) the nature and extent of the Group’s operations; (ii) Mr. Ip Chi Ming’s in-depth knowledge and experience in the construction industry and familiarity with the operations of the Group; (iii) that all major decisions are made in consultation with members of the Board and relevant Board committees; and (iv) 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 management of the Company and that it is in the best interest of the Group to have Mr. Ip Chi Ming taking up both roles. As such, the roles of chairman and chief executive officer of the Group are not being separated pursuant to code provision A.2.1 of the CG Code.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 6 June 2019. The Company has 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 the Board in providing an independent view of our financial reporting processes, 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 the Board from time to time.

The Audit Committee has approved and reviewed with the management of the Group the accounting principles and policies adopted by the Group, the unaudited interim consolidated financial information of the Group and the interim results announcement of the Company for the six months ended 30 September 2019.

OTHER INFORMATION

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

As at the date of this interim report, the interests and short positions of the Directors and the chief executive 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 Securities and Futures Ordinance (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 (<i>Note</i>)	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 interim report, none of the Directors nor the 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

So far as the Directors are aware, as at the date of this interim report, the following persons (not being a Director 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:

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 (<i>Note</i>)	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 interim report, none of the substantial shareholders or other persons, other than 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 8 June 2019 (the "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 in general meeting. The Directors believe that the Share Option Scheme is important for the recruitment and retention of quality executives and employees.

OTHER INFORMATION

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 the 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 of the Company. 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 of the Company 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 six months period ended 30 September 2019, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

REVIEW OF INTERIM RESULTS

The Group's unaudited condensed combined interim results and financial report for the six month ended 30 September 2019 have been reviewed and approved by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company has been published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.silvertide.hk. The interim report will be despatched to the shareholders of the Company and is available on the above websites in due course.

By order of the Board
Silver Tide Holdings Limited
Ip Chi Ming
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 30 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
	Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	4	248,034	204,930
Cost of sales	6	<u>(228,448)</u>	<u>(173,697)</u>
Gross profit		19,586	31,233
Other income and gains	4	460	13
Administrative expenses		(14,669)	(12,858)
Finance costs	5	<u>(571)</u>	<u>(453)</u>
PROFIT BEFORE TAX	6	4,806	17,935
Income tax expense	7	<u>(1,817)</u>	<u>(4,155)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u><u>2,989</u></u>	<u><u>13,781</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	<u><u>HK0.6 cents</u></u>	<u><u>HK1.8 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2019

	Notes	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	13,775	4,948
CURRENT ASSETS			
Contract assets		136,650	105,902
Trade receivables	11	39,644	42,418
Due from a related party	20(c)	5	55
Prepayments, other receivables and other assets	12	12,381	13,558
Cash and cash equivalents		115,191	36,126
Total current assets		303,871	198,059
CURRENT LIABILITIES			
Trade and retention payables	13	31,933	28,528
Other payables and accruals	14	5,268	5,546
Due to a director	20(c)	10,000	–
Interest-bearing bank loans	15	20,000	30,613
Tax payables		1,606	2,432
Total current liabilities		68,807	67,119
NET CURRENT ASSETS		235,064	130,940
TOTAL ASSETS LESS CURRENT LIABILITIES		248,839	135,888
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7	1,335	530
Total non-current liabilities		1,335	530
Net assets		247,504	135,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2019

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
	Notes		
EQUITY			
Equity attributable to owners of the company			
Share capital	16	10,000	–
Reserves	17	<u>237,504</u>	<u>135,358</u>
Total equity		<u>247,504</u>	<u>135,358</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Attributable to owners of the company				
	Share capital (Unaudited) HK\$'000	Share Premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2018	-	-	2,000	104,025	106,025
Profit and total comprehensive income for the year	-	-	-	13,797	13,797
At 30 September 2018	-	-	2,000	119,822	119,822
At 1 April 2019	-	-	2,000	133,358	135,358
Profit and total comprehensive income for the year	-	-	-	2,989	2,989
Capitalisation issue (note 16)	7,500	(7,500)	-	-	-
Issue of new shares pursuant to the Share Offer (note 16)	2,500	122,500	-	-	125,000
Share issue expenses	-	(15,843)	-	-	(15,843)
At 30 September 2019	10,000	99,157*	2,000*	136,347*	247,504

* These reserve accounts comprise the consolidated reserves of HK\$237,504,000 (31 March 2019: HK\$135,358,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended 30 September	
	2019 (Unaudited) HKD\$'000	2018 (Unaudited) HKD\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<u>(17,415)</u>	<u>(31,971)</u>
INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(11,305)	(696)
Decrease in an amount due from a related company	<u>50</u>	<u>-</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>(11,255)</u>	<u>(339)</u>
FINANCING ACTIVITIES		
New bank loans	-	10,000
Interest paid for bank loans	(809)	(453)
Repayments of bank loans	(10,613)	(21,197)
Decrease in an amount due to a related party	-	(1,962)
Increase in an amount due from a director	10,000	357
Proceeds from issue of shares	125,000	-
Share issue expenses	<u>(15,843)</u>	<u>-</u>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	<u>107,735</u>	<u>(13,612)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	79,065	(45,922)
Cash and cash equivalents at beginning of period	<u>36,126</u>	<u>63,716</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>115,191</u></u>	<u><u>17,794</u></u>
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	<u><u>115,191</u></u>	<u><u>17,794</u></u>

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 P.O. 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 timber works, aluminium formworks 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**”).

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2019.

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.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the following new HKFRSs and amendments to HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Lease, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new HKFRSs are described below:

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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 31 March 2019 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease is the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 an HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use asset and lease liabilities for the lease, except for the elective exemptions for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) lease, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payment associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All right-of-use assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impacts on transition (Continued)

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application as the selected elective practical expedient when applying HKFRS 16 at 1 April 2019.

	HK\$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	275
Less:	
Commitment relating to short-term lease with a renewing lease terms ending on or before 31 March 2020	(275)
	-
Lease liabilities as at 1 April 2019	-

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short term liabilities

The Group applies the short-term lease recognition exemption to short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. 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 six months ended 30 September 2019 is set out below:

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer I	62,278	48,277
Customer II	39,826	51,170
Customer III	<u>86,547</u>	<u>25,573</u>

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

4. 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:

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Construction services		
Private sector	232,859	190,501
Public sector	15,175	14,429
	<u>248,034</u>	<u>204,930</u>
Other income and gains		
Bank interest income	460	2
Others	–	11
	<u>460</u>	<u>13</u>

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank loans	571	453

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Contract costs	228,448	173,697
Depreciation of property, plant and equipment*	2,478	135
Rental expenses – Short term lease **	5,947	3,390
Employee benefit expense (excluding directors' and chief executive's remuneration)	551	295
Wages and salaries***	4,987	3,947
Pension scheme contributions***	243	159
	<u>5,781</u>	<u>4,401</u>

6. PROFIT BEFORE TAX (CONTINUED)

- * During the six months ended 30 September 2019, depreciation of HK\$2,339,000 (six months ended 30 September 2018: Nil) is included in contract costs as disclosed above.
- ** During the six months ended 30 September 2019, rental expenses of HK\$5,790,000 (six months ended 30 September 2018: HK\$3,233,000) are included in contract costs as disclosed above.
- *** During the six months ended 30 September 2019, wages and salaries of HK\$2,596,000 (six months ended 30 September 2018: HK\$1,791,000) and pension scheme contributions of HK\$119,000 (six months ended 30 September 2018: HK\$67,000), respectively, are included in contract costs disclosed above.

7. 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% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

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%.

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	1,012	4,155
Deferred	805	–
	<hr/>	<hr/>
Total tax charge for the period	1,817	4,155
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of 531,421,000 ordinary shares in issue during the period.

The number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2018 was based on 750,000,000 ordinary shares of the Company, representing the number of ordinary shares of the Company after completion of the Reorganisation and the Capitalisation Issue, as defined in the Prospectus, have been in issue throughout the six months ended 30 September 2018.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2019 and 30 September 2018 as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired assets with a cost of HK\$11,306,000 (six months ended 30 September 2018: HK\$696,000).

11. 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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	29,022	33,277
31 to 60 days	2,743	6,184
61 to 90 days	7,701	2,093
Over 90 days	178	864
	<u>39,644</u>	<u>42,418</u>
Impaired	<u>—</u>	<u>—</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Reimbursable expense	(a)	3,822	4,558
Prepayments	(b)	8,453	8,894
Others		106	106
		<u>12,381</u>	<u>13,558</u>

(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 30 September 2019, the amount represented prepayment for purchases of raw materials and motor vehicle amounted to HK\$3,154,000 and HK\$5,300,000 (31 March 2019: HK\$5,196,000 and Nil), respectively.

13. 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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Within 30 days	31,652	28,183
31 to 60 days	34	99
61 to 90 days	–	4
Over 90 days	5	–
	<u>31,691</u>	<u>28,286</u>
Retention payables	242	242
	<u>31,933</u>	<u>28,528</u>

At 30 September 2019 and 31 March 2019, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER PAYABLES AND ACCRUALS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Accruals	2,193	4,752
Other payables	<u>3,075</u>	<u>794</u>
	<u><u>5,268</u></u>	<u><u>5,546</u></u>

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

15. INTEREST-BEARING BANK LOANS

	As at 30 September 2019		As at 31 March 2019	
	Effective interest rate	HK\$'000 (Unaudited)	Effective interest rate	HK\$'000 (Audited)
Current				
Bank loans – secured or guaranteed	HIBOR plus 2.75%	<u>20,000</u>	HIBOR plus 1.35% – 2.75%	<u>30,613</u>

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<u>20,000</u>	<u>30,613</u>

15. INTEREST-BEARING BANK LOANS (CONTINUED)

The Group's term loans with an aggregate amount of HK\$20,000,000 as at 30 September 2019 (31 March 2019: HK\$30,613,000), 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:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Analysed into:		
Within one year or on demand	20,000	22,456
In the second year	–	2,513
In the third to fifth years, inclusive	–	5,644
	<u>20,000</u>	<u>30,613</u>

Notes:

- (a) 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. Such guarantees were all released in June 2019.
- (b) As at 30 September 2019, the balances of the bank loans were guaranteed by Silver Tide Holdings Limited with a total guarantee amount of HK\$20,000,000.
- (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.

16. SHARE CAPITAL

Shares

The movements in the Company's share capital during the period from 24 July 2018 (date of incorporation) to 30 September 2019 were as follows:

	Notes	Number of shares in issue	Amount HK\$'000
Authorised:			
At 24 July 2018 (date of incorporation), 31 March 2019 and 1 April 2019	(a)	38,000,000	380
Increase in authorised share capital on 8 June 2019	(c)	<u>1,962,000,000</u>	<u>19,620</u>
As at 30 September 2019		<u><u>20,000,000,000</u></u>	<u><u>20,000</u></u>
Issued and fully paid:			
At 24 July 2018 (date of incorporation)	(a)	1	–
Issue of new shares pursuant to the Reorganisation	(b)	<u>99</u>	<u>–</u>
As at 31 March 2019 and 1 April 2019		100	–
Capitalisation issue	(c)	749,999,900	7,500
Issue of new shares pursuant to the Share Offer	(d)	<u>250,000,000</u>	<u>2,500</u>
At 30 September 2019 (unaudited)		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

16. SHARE CAPITAL (CONTINUED)

Notes:

- (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 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\$0.50 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.

17. 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 19.

(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.

18. 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.

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Contracted, but not provided for:		
Tools and equipment	<u>4,375</u>	<u>4,180</u>

20. 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
Silver Tide Enterprises	Ultimate holding company of the Company

(b) Transactions with related parties:

Details of bank loans secured or guaranteed by related parties were disclosed in note 15 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 30 September 2019 and 31 March 2019, respectively.

Amount due to a director:

Name	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Mr. Ip Chi Ming	10,000	—

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties: (Continued)

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

Due from a related party:

Name	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Silver Tide Enterprises	5	55

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

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

	For six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	1,139	960
Pension scheme contributions	27	18
Total compensation paid to key management personnel	1,166	978

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and retention payables, 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 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 30 September 2019 and 31 March 2019 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 September 2019 and 31 March 2019.

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors in 30 November 2019.