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Silver Tide Holdings Limited

銀濤控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1943)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Silver Tide Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	4	437,778	399,875
Cost of sales		<u>(429,323)</u>	<u>(335,360)</u>
Gross profit		8,455	64,515
Other income and gains	4	1,836	35
Administrative expenses		(23,829)	(25,893)
Finance costs	5	<u>(1,104)</u>	<u>(809)</u>
PROFIT/(LOSS) BEFORE TAX	6	(14,642)	37,848
Income tax credit/(expense)	7	<u>986</u>	<u>(8,515)</u>
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u>(13,656)</u></u>	<u><u>29,333</u></u>
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the parent		<u><u>(13,656)</u></u>	<u><u>29,333</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><u>HK(1.5) cents</u></u>	<u><u>HK3.9 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	21,866	4,948
Deferred tax assets		456	—
		<hr/>	<hr/>
Total non-current assets		22,322	4,948
		<hr/>	<hr/>
CURRENT ASSETS			
Contract assets	<i>11</i>	107,310	105,902
Trade receivables	<i>12</i>	18,508	42,418
Due from the ultimate holding company		11	55
Prepayments, other receivables and other assets		7,990	13,558
Cash and cash equivalents		120,960	36,126
Tax recoverable		296	—
		<hr/>	<hr/>
Total current assets		255,075	198,059
		<hr/>	<hr/>
CURRENT LIABILITIES			
Contract liabilities	<i>11</i>	204	—
Trade and retention payables	<i>13</i>	26,552	28,528
Other payables and accruals		6,883	5,546
Interest-bearing bank loans		10,000	30,613
Tax payable		—	2,432
		<hr/>	<hr/>
Total current liabilities		43,639	67,119
		<hr/>	<hr/>
NET CURRENT ASSETS		211,436	130,940
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		233,758	135,888
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables		2,899	—
Deferred tax liabilities		—	530
		<hr/>	<hr/>
Total non-current liabilities		2,899	530
		<hr/>	<hr/>
Net assets		230,859	135,358
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	10,000	—
Reserves		220,859	135,358
		<hr/>	<hr/>
Total equity		230,859	135,358
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. CORPORATE AND GROUP INFORMATION

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 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 immediate holding company and the ultimate holding company of the Company is Silver Tide Enterprises Limited, 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 existing 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 for the year ended 31 March 2019. The consolidated statement of financial position as at 31 March 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.

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 (“**HK\$’000**”) 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 2020. 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).

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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 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, the new and revised standards are not relevant to the preparation of the Group's financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 Leases

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if 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 and 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.

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 properties. 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 assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use-assets and interest accrued on the outstanding lease liabilities (as finance costs).

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 and included in other payables and accruals. The right-of-use assets were 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 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as part of the elements of property, plant and equipment in the statement of financial position.

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

Financial impact at 1 April 2019

The impact arising from adoption of HKFRS 16 as at 1 April 2019 was as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	275
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(275)
	<hr/>
Lease liabilities as at 1 April 2019	<hr/> <hr/>

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 review 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 of the Group were all located in Hong Kong.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer I	135,091	67,508
Customer II	60,760	64,818
Customer III	<u>117,562</u>	<u>135,543</u>

Except for the aforesaid, no revenue from 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction services		
Private sector	343,844	348,480
Public sector	93,934	51,395
	<u>437,778</u>	<u>399,875</u>
Other income and gains		
Bank interest income	1,369	24
Rental income	250	—
Government grants	71	—
Exchange gains, net	131	—
Gain on disposal of items of property, plant and equipment	5	—
Others	10	11
	<u>1,836</u>	<u>35</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans and overdrafts	939	809
Interest on lease liabilities	165	—
	<u>1,104</u>	<u>809</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract costs	429,323	335,360
Provision for contract works*	772	—
Depreciation of owned assets	6,847	577
Depreciation of right-of-use assets	1,545	—
	<u>8,392</u>	<u>577</u>
Lease payments not included in the measurement of lease liabilities	306	—
Auditors' remuneration	1,500	1,600
Employee benefit expense (excluding Directors' and chief executive's remuneration)		
Wages and salaries*	11,223	8,973
Pension scheme contributions*	437	291
	<u>11,660</u>	<u>9,264</u>
Minimum lease payments under operating leases	—	5,786
Gain on disposal of items of property, plant and equipment	(5)	—
Written-off of items of property, plant and equipment*	364	—
Government grants**	(71)	—
	<u>(71)</u>	<u>—</u>

* During the year, wages and salaries of HK\$5,693,000 (2019: HK\$4,307,000), pension scheme contributions of HK\$244,000 (2019: HK\$135,000), provision for contract works of HK\$772,000 (2019: Nil) and written-off of items of property, plant and equipment of HK\$364,000 (2019: Nil), are included in contract costs disclosed above.

** Grants have been received from the Construction Industry Council, an institution established by the Government of the Hong Kong Special Administrative Region, for strengthening hygienic control measures and providing on-the-job training for graduate engineers and trainees. There were no unfulfilled conditions or contingencies relating to these grants.

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/19. The first HK\$2 million of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	8,021
Deferred	<u>(986)</u>	<u>494</u>
Total tax charge/(credit) for the year	<u><u>(986)</u></u>	<u><u>8,515</u></u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings/(loss) per share is based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company for the purpose of calculating earnings/(loss) per share	<u><u>(13,656)</u></u>	<u><u>29,333</u></u>
	Number of shares	
	2020	2019
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u><u>939,891</u></u>	<u><u>750,000</u></u>

The weighted average number of ordinary shares used to calculate the basic loss per share amount for the year ended 31 March 2020 includes 1 ordinary share of the Company issued on 24 July 2018 (note 14(a)), 99 ordinary shares issued pursuant to the Reorganisation (note 14(b)), and 749,999,900 ordinary shares issued pursuant to the capitalisation issue (note 14(c)), as if all these shares had been in issue throughout the year ended 31 March 2020, and the weighted average of 250,000,000 new shares issued pursuant to the Share Offer (note 14(d)).

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 March 2019 was based on 750,000,000 ordinary shares of the Company, 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 year ended 31 March 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 March 2020, the Group acquired property, plant and equipment with a cost of HK\$18,347,000 (2019: HK\$5,137,000) and recognised additions to right-of-use assets of HK\$7,335,000.

11. CONTRACT ASSETS/(LIABILITIES)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets		
Unbilled revenue	35,592	43,620
Retention receivables	71,718	62,282
	<u>107,310</u>	<u>105,902</u>
Contract liabilities	<u>(204)</u>	—
	<u><u>107,106</u></u>	<u><u>105,902</u></u>

Movements in contract assets:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the year	105,902	93,195
Addition in contract assets	56,553	60,014
Transfer to trade receivables	(55,145)	(47,307)
Balance at end of the year	<u><u>107,310</u></u>	<u><u>105,902</u></u>

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 represent 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.

12. 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 30 days. Within 30 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	18,508	33,277
31 to 60 days	—	6,184
61 to 90 days	—	2,093
Over 90 days	—	864
	<u>18,508</u>	<u>42,418</u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	26,288	28,183
31 to 60 days	22	99
61 to 90 days	—	4
	<u>26,310</u>	<u>28,286</u>
Retention payables	242	242
	<u>26,552</u>	<u>28,528</u>

At 31 March 2020, all retention payables were expected to be settled within one year (2019: 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.

14. SHARE CAPITAL

The movements in the Company's share capital during the period from 24 July 2018 (date of incorporation) to 31 March 2020 were as follows:

	<i>Notes</i>	Number of ordinary shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:			
At 24 July 2018 (date of incorporation), 31 March 2019 and 1 April 2019	<i>(a)</i>	38,000,000	380
Increase in authorised share capital on 8 June 2019	<i>(c)</i>	<u>1,962,000,000</u>	<u>19,620</u>
At 31 March 2020		<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
		Number of shares in issue	Amount HK\$'000
Issued and fully paid:			
At 24 July 2018 (date of incorporation)	<i>(a)</i>	1	—
Issue of new shares pursuant to the Reorganisation	<i>(b)</i>	<u>99</u>	<u>—</u>
At 31 March 2019 and 1 April 2019		100	—
Capitalisation issue	<i>(c)</i>	749,999,900	7,500
Issue of new shares pursuant to the Share Offer	<i>(d)</i>	<u>250,000,000</u>	<u>2,500</u>
At 31 March 2020		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

Notes:

- (a) The Company was incorporated in the Cayman Islands 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 Limited 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.

- (d) In connection with the listing of the shares of the Company on the Stock Exchange, 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 the Listing Date.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$437.8 million for the year ended 31 March 2020, representing an increase of approximately 9.5% as compared with the same for the year ended 31 March 2019.
- Gross profit was approximately HK\$8.5 million for the year ended 31 March 2020 representing a decrease of approximately 86.9% as compared with the same for the year ended 31 March 2019.
- Loss attributable to owners of the parent was approximately HK\$13.7 million for the year ended 31 March 2020, whereas profit attributable to owners of the parent was approximately HK\$29.3 million for the year ended 31 March 2019.
- Basic loss per share was approximately HK1.5 cents for the year ended 31 March 2020, and basic earnings per share was approximately HK3.9 cents for the year ended 31 March 2019.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2020.

BUSINESS REVIEW

The Group is principally engaged in the provision of formwork works services to both the public and private sectors in the construction industry in Hong Kong. The formwork business undertaken by our Group mainly include (i) traditional formwork using timber and plywood; and (ii) system formwork using aluminium and steel. The Group started its formwork works since 1998 and has more than 21 years of experience in the provision of its services in Hong Kong. The year 2019 was fruitful for the Group as it was listed on the Main Board of the Stock Exchange, a milestone of great significance in its history.

Our revenue has increased by 9.5% from approximately HK\$399.9 million for the year ended 31 March 2019 to approximately HK\$437.8 million for the year ended 31 March 2020. For the year ended 31 March 2020, the Group recorded loss attributable to owners of the parent of approximately HK\$13.7 million, as compared to the profit attributable to owners of the parent of approximately HK\$29.3 million for the year ended 31 March 2019.

During the year ended 31 March 2020, the Group has purchased approximately HK\$16.1 million metal scaffolding equipment and rented two warehouses for storing metal scaffolding equipment. The Group kept on pushing forward with own equipment so as to reduce our reliance on external metal scaffolding equipment suppliers.

The Group has applied, for the first time, HKFRS 16 which is one of the new HKFRSs applied in the current year. Under this new standard, lease payments amounted to approximately HK\$1.6 million during the year were no longer treated as rental expenses. On the other hand, depreciation of right-of-use assets of leased buildings and interest on lease liabilities of approximately HK\$1.5 million and approximately HK\$0.2 million, respectively were charged to profit or loss. More details of the effect on adoption of new and revised accounting standards are set out in note 2.3 to the consolidated financial statements in this announcement.

BUSINESS PROSPECT

Following the novel coronavirus (COVID-19) outbreak (the “**Epidemic**”) since January 2020, the Directors expect that next year will remain to be challenging to the Group’s business due to the anticipated downturn of economy in the Hong Kong. The Group will continue to assess the impact of the Epidemic on the Group’s performance. In addition, the Group will continue to try its best to implement tight cost control measures on the existing projects, strive to improve the efficiency of work-flow throughout the construction process and strengthen the effectiveness of project management in order to stabilize any impact.

Under these circumstances, the Group keeps focusing on the existing construction projects. Meanwhile, the Group will also continue to adopt a prudent approach in bidding new contracts as severe competition among the construction industry which is expected to considerably undermine the profit margin. Although the construction industry remains tough with keen competition and the overall economy is adversely affected by the recent uncertain social and economic factors, the Group have been awarded contracts at the satisfactory level for the forthcoming year.

As at 31 March 2020, the Group had 10 projects on hand that have been awarded to us but not completed, and the outstanding contract value of such projects amounted to approximately HK\$442.9 million.

The Directors believe that the listing status of the Group enhances the Group’s profile and further strengthens the Group’s reputation in the construction industry, which in turn helps maintaining the business relationship with the core suppliers and customers, and exploring potential opportunities with new suppliers and customers so as to maintain the competitiveness for the best interest of the Group.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$399.9 million for the year ended 31 March 2019 to approximately HK\$437.8 million for the year ended 31 March 2020, representing an increase of approximately 9.5%. Such increase was mainly due to:

- (i) we derived substantial revenue of approximately HK\$183.5 million for the year ended 31 March 2020 (31 March 2019: HK\$14.5 million) from two projects with an initial contract sum of approximately HK\$103.4 million and HK\$109.3 million that commenced in December 2018 and March 2019 respectively;
- (ii) partially offset by a decrease in revenue from certain projects for the year ended 31 March 2020 since majority of the contract works for those projects had been completed during the year ended 31 March 2019.

Gross profit and gross profit margin

During the year ended 31 March 2020, the Group's gross profit decreased by approximately HK\$56.1 million or 86.9% from approximately HK\$64.5 million for the year ended 31 March 2019 to approximately HK\$8.5 million for the year ended 31 March 2020. 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 and unexpected circumstances arise in a certain project; (ii) an increase in material 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 year ended 31 March 2020; (iii) the increase in depreciation expenses during the year ended 31 March 2020 mainly due to the addition of metal scaffold equipment; (iv) certain main contractors of the Group postponed the resumption of work at work sites after the Chinese New Year; and (v) the disruption in supply of materials coming from the People's Republic of China which resulted in delay in site progress and increase in cost due to the prolonged need for maintaining the required site workforce.

The Group's gross profit margin decreased from approximately 16.1% for the year ended 31 March 2019 to approximately 1.9% for the year ended 31 March 2020.

Other income and gains

Other income and gains increased by approximately HK\$1.8 million from approximately HK\$0.04 million for the year ended 31 March 2019 to approximately HK\$1.8 million for the year ended 31 March 2020, representing an increase of approximately 5,145.7%. Such increase was mainly attributable to the increase in bank interest income generated from fixed bank deposit.

Administrative expenses

Administrative expenses decreased from approximately HK\$25.9 million for the year ended 31 March 2019 to approximately HK\$23.8 million for the year ended 31 March 2020, representing a decrease of approximately 8.0%. Such decrease was mainly attributable to the decrease in the professional fee subsequent to the listing of the Company's ordinary shares on the Main Board during the year ended 31 March 2020.

Finance costs

Finance costs increased from approximately HK\$0.8 million for the year ended 31 March 2019 to approximately HK\$1.1 million for the year ended 31 March 2020, representing an increase of approximately 36.5%. Such increase was mainly attributable to the increase in interest expense on existing bank loans and lease liabilities during the year ended 31 March 2020.

Income tax

For the reporting period, the Group's income tax credit amount to approximately HK\$1.0 million, as compared with approximately HK\$8.5 million of income tax expense for the year ended 31 March 2019, representing a decrease of approximately 111.6%. Such income tax credit was primarily attributed to the recognition of deferred income tax of unused tax loss recorded in the current year.

Profit/(Loss) attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent amounted to approximately HK\$13.7 million for the year ended 31 March 2020 as compared to profit attributable to owners of the parent of approximately HK\$29.3 million for the year ended 31 March 2019.

Final Dividend

The Board has resolved not to recommend the declaration of any final dividend for the year ended 31 March 2020 (31 March 2019: nil).

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 2020, the cash and cash equivalents, net current assets and total assets less current liabilities were HK\$121.0 million (as at 31 March 2019: HK\$36.1 million), HK\$211.4 million (as at 31 March 2019: HK\$130.9 million) and HK\$233.8 million (as at 31 March 2019: HK\$135.9 million), respectively.

Contingent Liabilities

As at 31 March 2020, the Group did not have any material contingent liabilities (31 March 2019: nil).

Capital Commitments

As at 31 March 2020, the Group had capital commitments of approximately HK\$8.7 million (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 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.

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 31 March 2020, the Group's gearing ratio was approximately 4.3% (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\$10.0 million as at 31 March 2020.

Segment Information

Save as disclosed in note 3 to the consolidated financial statements in this announcement, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 31 March 2020 and 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the reporting year, the Group does not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group employed 35 employees in Hong Kong (31 March 2019: 26 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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company (the "Share") have been listed and traded on the Main Board of the Stock Exchange since 28 June 2019. The 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 and the section headed "Future Plans and Use of Proceed" in the Prospectus.

The utilisation of net proceeds raised by the Group from the Listing up to 31 March 2020 is as below.

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus	Actual use of net proceeds up to 31 March 2020	Unutilised balance up to 31 March 2020
	<i>%</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Financing the startup costs for projects commencing from the calendar year 2019	89.9%	78.0	52.0
Purchasing metal scaffold equipment and related expenses	10.1%	8.8	8.8
Total	100%	86.8	60.8
	26.0	—	26.0

COMPETITION AND CONFLICT OF INTERESTS

During the year ended 31 March 2020, none of the Directors nor the controlling shareholders of the Company and their respective associates (as defined under Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong (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 year ended 31 March 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float at 25% as required under the Listing Rules as at the date of this Announcement.

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 throughout the period from the Listing Date to 31 March 2020 and up to the date of this announcement.

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 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, and all of the members are our independent non-executive Directors namely Mr. Pau Chi Hoi, Mr. Shum Hau Tak together with Mr. Law Chi Hung, who is the chairman of the Audit Committee, possessing the appropriate accounting or related financial management expertise.

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.

The Audit Committee has approved and reviewed with the management of the Group the accounting principles and policies adopted by the Group, and the consolidated financial information of the Group and the annual results announcement of the Company for the year ended 31 March 2020.

SCOPE OF WORK OF ERNST AND YOUNG (“EY”)

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by EY to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

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 period from the Listing Date to 31 March 2020.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. Eligible participants of the Scheme include the Company’s Directors, full-time or part-time employees of the Group, consultant, adviser, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner and service provider of the Group. The Scheme became effective on 8 June 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised shares in respect of which options may be granted under the Scheme is such a number of shares representing 10% of the issued share capital of the Company as at the Listing Date, i.e. 100,000,000 shares. The 10% limit may be refreshed at any time by approval of the shareholders in the general meeting. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to Directors, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their

associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options must be accepted within 7 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange daily quotations sheet on the date of grant of the share options; (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange daily quotations sheet for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No option has been granted, exercised, cancelled or lapsed from the date of adoption of the Scheme up to the date of approval of these consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on Friday, 28 August 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Boardroom Share Registrar (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, 24 August 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.silvertide.hk). The annual report for the year ended 31 March 2020 containing all the information required by the Listing Rules will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited and despatched to the Shareholders in due course.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event, including events related to the Epidemic, undertaken by the Group after 31 March 2020 and up to the date of this announcement.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our management and staff members for their commitment and contribution, and to all our Shareholders, customers, subcontractors, suppliers and business partners for their endless support, and to the growth of the Group.

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

Hong Kong, 26 June 2020

As at the date of this announcement, the Board of the Company comprises Mr. Ip Chi Ming (Chairman and Chief Executive Officer) and Mr. Wong Kin Wah as executive Directors, and Mr. Shum Hau Tak, Mr. Pau Chi Hoi and Mr. Law Chi Hung as independent non-executive Directors.