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POLYFAIR

Polyfair Holdings Limited

寶發控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Polyfair Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

ANNUAL RESULTS

The board (the “**Board**”) of Directors is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2019 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	215,778	271,841
Cost of services		<u>(203,426)</u>	<u>(234,368)</u>
Gross profit		12,352	37,473
Other income, gain and losses	5	1,947	1
Impairment losses	6	(1,794)	–
Administrative expenses		(14,185)	(11,820)
Finance costs	7	(5,203)	(3,034)
Other expenses		<u>–</u>	<u>(14,536)</u>
(Loss) profit before taxation	8	(6,883)	8,084
Taxation	9	302	(3,915)
(Loss) profit for the year		<u>(6,581)</u>	<u>4,169</u>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>(58)</u>	<u>100</u>
Other comprehensive (expense) income for the year		<u>(58)</u>	<u>100</u>
Total comprehensive (expense) income for the year		<u>(6,639)</u>	<u>4,269</u>
(Loss) earnings per share – basic	11	<u>HK cents (0.82)</u>	<u>HK cents 0.67</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,372	1,569
Deposits		472	413
Financial assets at fair value through profit or loss		10,023	–
Payments for life insurance policies		–	8,379
Pledged bank deposit		–	25,000
Deferred tax assets		609	–
		<u>12,476</u>	<u>35,361</u>
Current assets			
Amounts receivable on contract work	<i>12</i>	–	83,148
Contract assets	<i>13</i>	104,564	–
Trade receivables	<i>14</i>	23,616	–
Progress payments receivable	<i>14</i>	–	17,848
Retention money receivables	<i>15</i>	–	22,906
Prepayments, deposits and other receivables		2,640	5,165
Tax recoverable		1,013	–
Pledged bank deposits		32,141	7,001
Bank balances and cash		14,791	64,313
		<u>178,765</u>	<u>200,381</u>
Current liabilities			
Contract liabilities	<i>16</i>	–	–
Trade and other payables	<i>17</i>	32,425	47,925
Tax payable		–	827
Bank borrowings	<i>18</i>	97,363	117,192
		<u>129,788</u>	<u>165,944</u>
Net current assets		<u>48,977</u>	<u>34,437</u>
Net assets		<u>61,453</u>	<u>69,798</u>
Capital and reserves			
Share capital		8,000	8,000
Reserves		53,453	61,798
Total equity		<u>61,453</u>	<u>69,798</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2017	3,000	–	–	–	16,614	19,614
Profit for the year	–	–	–	–	4,169	4,169
Other comprehensive income for the year	–	–	–	100	–	100
Total comprehensive income for the year	–	–	–	100	4,169	4,269
Effect of Reorganisation (as defined in note 1B)	(3,000)	–	3,000	–	–	–
Issue of new shares	2,000	54,000	–	–	–	56,000
Capitalisation issue	6,000	(6,000)	–	–	–	–
Share issuance costs	–	(10,085)	–	–	–	(10,085)
At 31 March 2018	8,000	37,915	3,000	100	20,783	69,798
Adjustments upon adoption of HKFRS 9 (note 2)	–	–	–	–	(1,706)	(1,706)
At 1 April 2018 (restated)	8,000	37,915	3,000	100	19,077	68,092
Loss for the year	–	–	–	–	(6,581)	(6,581)
Other comprehensive expense for the year	–	–	–	(58)	–	(58)
Total comprehensive income for the year	–	–	–	(58)	(6,581)	(6,639)
At 31 March 2019	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>42</u>	<u>12,496</u>	<u>61,453</u>

Note: Other reserve represented the difference between the share capital of the Company issued as consideration of acquiring Polyfair Construction & Engineering Limited (“Polyfair HK”) and the issued share capital of Polyfair HK on 19 January 2018 pursuant to a group reorganisation as set out in note 1B.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1A. GENERAL

Polyfair Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 May 2017 and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 23 February 2018. Its immediate and ultimate holding company is C.N.Y. Holdings Limited (“**CNY**”), a company incorporated in the British Virgin Islands (the “**BVI**”). It is held as to 83% by Mr. Chow Mo Lam (“**Mr. Chow**”) and 17% by Mr. Yu Lap On Stephen (“**Mr. Yu**”). The addresses of the Company’s registered office and the principal place of business are set out in the section headed “Corporate Information” to the annual report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in construction and engineering business. The Company and all of the subsidiaries are collectively referred to as the “**Group**”.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company.

1B. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Before the completion of a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the prospectus issued by the Company dated 31 January 2018, Polyfair HK was held as to 83% by Mr. Chow and 17% by Mr. Yu. In preparation of the listing of the Company’s shares on GEM of the Stock Exchange and pursuant to the reorganisation (the “**Reorganisation**”), the companies comprising the Group underwent the Reorganisation as described below.

- (i) On 21 April 2017, CNY was incorporated in the BVI with limited liability, allotted and issued 83 and 17 shares, credited as fully paid at a par value of one United States dollar (“**US\$**”), to Mr. Chow and Mr. Yu, respectively.
- (ii) On 25 May 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and initially one nil paid share was allotted and issued at par to an independent third party, which was then transferred to CNY on the same date, and an additional 99 nil paid shares were allotted and issued at par to CNY on the same date.
- (iii) On 8 June 2017, Polyfair Group Limited (“**Polyfair BVI**”) was incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at a par value of US\$1 to the Company.

(iv) On 19 January 2018, Mr. Chow and Mr. Yu transferred the entire issued share capital of Polyfair HK to Polyfair BVI (as the nominee of the Company). The consideration was satisfied by allotting and issuing 83 and 17 Shares of the Company to Mr. Chow and Mr. Yu, (or their respective nominee) respectively, credited as fully paid and crediting as fully paid at par the 100 nil paid shares in issue. The Company had nominated its direct wholly-owned subsidiary, Polyfair BVI, to hold the entire issued share capital of Polyfair HK. Mr. Chow and Mr. Yu had nominated CNY to hold the 100 new shares. After the above transactions, Polyfair HK is wholly-owned by Polyfair BVI.

The Reorganisation involved incorporation of and interspersing CNY, the Company and Polyfair BVI between Polyfair HK and its shareholders. Upon the completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group on 19 January 2018. The Group resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity for the year ended 31 March 2018 which include the results and changes in equity of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence since 1 April 2017, or since their respective dates of incorporation, whichever is the shorter period.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 “Prepayment Features with Negative Compensation” which will be mandatorily effective for the Group for the financial year beginning on 1 April 2019.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major source which arise from contracts with customers:

- Revenue from construction contracts

Information about the Group’s accounting policies and performance obligations resulting from application of HKFRS 15 is disclosed in note 5.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 1 April 2018 for the line items affected. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 March 2018	Impacts of adopting HKFRS 15	Carrying amounts under HKFRS 15 at 1 April 2018*
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Contract assets	<i>(a)</i>	–	106,054	106,054
Amounts receivable on contract work	<i>(a)</i>	83,148	(83,148)	–
Progress payments receivable	<i>(b)</i>	17,848	(17,848)	–
Retention money receivables	<i>(a)</i>	22,906	(22,906)	–
Trade receivables	<i>(b)</i>	–	17,848	17,848
Contract liabilities	<i>(c)</i>	–	627	627
Trade and other payables	<i>(c)</i>	47,925	(627)	47,298
		<u>47,925</u>	<u>(627)</u>	<u>47,298</u>

* The amounts in this column are before the adjustments from application of HKFRS 9.

Notes:

- (a) At 1 April 2018, amounts receivable on contract work of HK\$83,148,000 and retention money receivables of HK\$22,906,000 were reclassified to contract assets.
- (b) At 1 April 2018, progress payments receivable of HK\$17,848,000 were reclassified to trade receivables.
- (c) At 1 April 2018, receipts in advance from a customer of HK\$627,000, previously included in trade and other payables, were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

		As reported	Reclassification	Amounts without application of HKFRS 15
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	<i>(a)</i>	104,564	(104,564)	–
Amounts receivable on				
contract work	<i>(a)</i>	–	81,746	81,746
Progress payments receivables	<i>(b)</i>	–	23,616	23,616
Retention money receivables	<i>(a)</i>	–	22,818	22,818
Trade receivables	<i>(b)</i>	23,616	(23,616)	–

Notes:

- (a) At 31 March 2019, amounts receivable on contract work and retention money receivables of HK\$81,746,000 and HK\$23,818,000 respectively were classified as contract assets and the amount would have been included in amounts receivable on contract work and retention money receivables without application of HKFRS 15.
- (b) At 31 March 2019, progress payments receivable of HK\$23,616,000 were classified as trade receivables and the amount would have been included in progress payments receivable without application of HKFRS 15.

2.2 HKFRS 9 “Financial Instruments” and the related amendments

In the current year, the Group has applied HKFRS 9, Amendments to HKFRS 9, and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses (“ECL”) for financial assets; and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference, if any, between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

	Notes	Contract assets HK\$'000	Trade receivables HK\$'000	Prepayments, deposits and other receivables HK\$'000	Deferred tax assets HK\$'000	Payments for life insurance policies HK\$'000	Financial assets at fair value through profit or loss (“FVTPL”) HK\$'000	Retained profits HK\$'000
At 31 March 2018 – HKAS 39		–	–	5,165	–	8,379	–	20,783
Effect arising from initial application of HKFRS 15		106,054	17,848	–	–	–	–	–
Effect arising from initial application of HKFRS 9								
Reclassification								
From loans and receivables	(a)	–	–	(234)	–	(8,379)	8,613	–
Remeasurement								
Impairment under ECL model	(b)	(663)	(1,110)	(1)	293	–	–	(1,481)
From amortised cost to fair value	(a)	–	–	–	–	–	(225)	(225)
At 1 April 2018 (restated)		<u>105,391</u>	<u>16,738</u>	<u>4,930</u>	<u>293</u>	<u>–</u>	<u>8,388</u>	<u>19,077</u>

(a) Loans and receivables

Payments for life insurance policies of HK\$8,613,000 previously classified as loans and receivables were reclassified to financial assets at FVTPL upon the application of HKFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The related fair value loss of HK\$225,000 was adjusted to retained profits at 1 April 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets are assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Upon the initial application of HKFRS 9, ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, deposits and other receivables are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional impairment allowance of HK\$1,481,000, net of deferred tax assets in relation to loss allowance for ECL of HK\$293,000, have been recognised against retained profits. The additional impairment allowance is charged against the trade receivables, contract assets and other receivables.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March			1 April
	2018	HKFRS 15	HKFRS 9	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Contract assets	–	106,054	(663)	105,391
Amounts receivable on contract work	83,148	(83,148)	–	–
Progress payments receivable	17,848	(17,848)	–	–
Retention money receivables	22,906	(22,906)	–	–
Trade receivables	–	17,848	(1,110)	16,738
Prepayments, deposits and other receivables	5,165	–	(235)	4,930
Deferred tax assets	–	–	293	293
Payments for life insurance policies	8,379	–	(8,379)	–
Financial assets at FVTPL	–	–	8,388	8,388
Contract liabilities	–	627	–	627
Trade and other payables	47,925	(627)	–	47,298
Retained profits	20,783	–	(1,706)	19,077

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of some of these new and amendments to HKFRSs may have impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents income received or receivable from provision of construction contract work.

The Group's operating activities are attributable to a single operating segment focusing on provision of construction contract work. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRSs, that are regularly reviewed by the chief operating decision maker (“CODM”) (i.e. being executive directors of the Company). The CODM regularly reviews revenue analysis by relevant types of properties for which construction contract work is provided, and considers them as one single operating segment since all revenue of the Group is generated from one single line of business. Other than revenue analysis, no operating results and no other discrete financial information are available for the assessment of performance.

The CODM reviews the loss (profit) for the year of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 “Operating Segments” and accordingly, no separate segment information other than entity level information is prepared.

Disaggregation of revenue from contracts with customers

An analysis of the Group’s revenue are as follows:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Recognised over time:		
Residential properties	73,037	261,272
Commercial properties	142,741	10,569
	215,778	271,841

All revenue during each of the reporting period is derived from customers in Hong Kong and majority of the non-current assets of the Group are located in Hong Kong. All the Group’s provision of construction services are made directly with customers which are mainly property developers (including subsidiaries of property developers) and main contractors from the private sector in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group during the year are as below:

	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Customer A ¹	107,489	N/A ⁴
Customer B ²	37,870	45,635
Customer C ³	N/A⁴	42,464
Customer D ³	45,761	121,017

¹ Revenue derived from commercial properties contract work.

² Revenue derived from commercial properties and residential properties contract works.

³ Revenue derived from residential properties contract work.

⁴ Revenue derived from this customer was less than 10% of the total revenue for the year.

5. OTHER INCOME, GAIN AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	147	–
Interest income from payments for life insurance policies	–	155
Exchange gain (loss)	165	(154)
Fair value gain on payments for life insurance policies	1,635	–
	<u>1,947</u>	<u>1</u>

6. IMPAIRMENT LOSSES

	2019 <i>HK\$'000</i>
Impairment losses recognised on:	
Contract assets	99
Trade receivables	1,693
Other receivables	2
	<u>1,794</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans and bank overdrafts	5,203	3,034
	<u>5,203</u>	<u>3,034</u>

8. (LOSS) PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	5,530	5,746
Other staff costs	28,329	24,046
Retirement benefit schemes contributions for other staff	2,219	1,768
	<u>36,078</u>	<u>31,560</u>
Total staff costs		
Auditor's remuneration	1,050	1,000
Depreciation of property, plant and equipment	490	205
Operating lease rentals in respect of rented premises	2,373	1,517
Listing expenses (included in other expenses)	–	14,536
	<u>4,913</u>	<u>17,258</u>

9. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
The tax (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax	–	3,910
People's Republic of China (the "PRC") Enterprise Income Tax	<u>14</u>	<u>5</u>
	14	3,915
Deferred taxation credit	<u>(316)</u>	<u>–</u>
	<u><u>(302)</u></u>	<u><u>3,915</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as the subsidiaries in Hong Kong incurred tax losses for the year ended 31 March 2019.

According to Article 63 of the Enterprise Income Tax Law (中華人民共和國企業所得稅) and Article 512 of the Implementation of the Enterprise Income Tax Law of the People's Republic of China (the "PRC") (中華人民共和國企業所得稅法實施條例), from 1 January 2017 to 31 December 2019, an entity with assessable income less than Renminbi ("RMB") 50,000 is liable to Enterprise Income Tax on such income at 10%. The tax rate of the Group's subsidiary in the PRC is 10% for the current year.

At 31 March 2019, the Group had unused tax losses of HK\$3,915,000 (2018: nil) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. The tax losses will be carried forward indefinitely.

10. DIVIDENDS

No dividends were paid, declared or proposed by the Company during the year ended 31 March 2019 nor since the end of the reporting period (2018: nil).

11. (LOSS) EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	<u>(6,581)</u>	<u>4,169</u>
	2019	2018 <i>(note)</i>

Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>800,000,000</u>	<u>620,273,973</u>
-----------------------------------------------------------------------------------------------	--------------------	--------------------

For the years ended 31 March 2019 and 31 March 2018, no diluted (loss) earnings per share were presented as there were no potential ordinary shares in issue.

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 had been taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue of ordinary shares as if they had been effective on 1 April 2017.

12. AMOUNTS RECEIVABLE ON CONTRACT WORK

	2018 <i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	540,929
Less: Progress billings	<u>(457,781)</u>
	<u>83,148</u>
Analysed for reporting purposes as:	
Amounts receivable on contract work	<u>83,148</u>

Upon application of HKFRS 15, the amounts receivable on contract work of HK\$83,148,000 were reclassified as contract assets as disclosed in note 2.

13. CONTRACT ASSETS

	31.3.2019	1.4.2018*
	HK\$'000	HK\$'000
Construction contracts	105,326	106,054
Less: Impairment allowance for ECL	(762)	(663)
	<u>104,564</u>	<u>105,391</u>

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

The contract assets relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional other than passage of time.

Included in carrying amount of contract assets comprises retention money receivables of HK\$22,818,000 as at 31 March 2019.

14. TRADE RECEIVABLES/PROGRESS PAYMENTS RECEIVABLE

Trade receivables/progress payments receivable represent the amounts receivable, after deduction of retention money, for construction services which usually fall due within 14 to 30 days after the work is certified, except for several credit worthy customers to whom an extended credit period would be granted. Retention money is usually withheld from the amounts receivable for work certified. 50% of the retention money is normally due upon completion of construction services and the remaining 50% portion is due upon finalisation of construction accounts.

The aged analysis of trade receivables/progress payments receivable based on invoice date is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within 30 days	19,578	9,884
31 to 90 days	1,764	4,309
Over 90 days	2,274	3,655
	<u>23,616</u>	<u>17,848</u>

As at 31 March 2019, the carrying amount of trade receivables from contracts with customers is HK\$23,616,000, net of impairment loss of HK\$2,803,000.

As at 1 April 2018, the carrying amount of trade receivables from contracts with customers is HK\$16,738,000, net of impairment loss of HK\$1,110,000.

As at 31 March 2019, the management of the Group closely monitors the credit quality of trade receivables. All of the trade receivables, that is neither past due nor impaired, is considered to be of good credit quality based on historical repayment from the customers.

Before the application of HKFRS 9 on 1 April 2018, included in the Group's progress payments receivables balance are debtors with an aggregate carrying amount of HK\$2,561,000 which are past due at the end of the year for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2019, included in the past due balance of HK\$2,274,000 has been past due 90 days or more and is not considered as in default based on historical settlement pattern for those debtors and continued business with the Group.

Ageing of trade receivables/progress payments receivable which are past due but not impaired:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Over 90 days	<u>2,274</u>	<u>2,561</u>

15. RETENTION MONEY RECEIVABLES

	2018 <i>HK\$'000</i>
Amounts receivable within one year	7,295
Amounts receivable after one year	<u>15,611</u>
	<u>22,906</u>

As at 31 March 2018, the Group's retention money receivables of HK\$17,519,000 was not yet past due and the remaining balance of HK\$5,387,000 was past due, of which HK\$1,599,000 is past due for over one year. The Group did not hold any collateral over these balances. Management of the Group believed that no impairment allowance was necessary as there had been no significant change in credit quality of these customers and the balances are considered fully recoverable.

Upon application of HKFRS 15, the retention money receivables of HK\$22,906,000 were reclassified to contract assets as disclosed in note 2.

16. CONTRACT LIABILITIES

	31.3.2019 <i>HK\$'000</i>	1.4.2018 <i>HK\$'000</i> <i>(note)</i>
Receipts in advance from a customer	<u>–</u>	<u>627</u>

Note: The amount in this column is after the adjustments from the application of HKFRS 15.

The amounts represented receipts in advance from a customer from prior year in relation to the construction service rendered. The amount of receipts in advance from a customer as at 1 April 2018 after the adjustments from the application of HKFRS 15 as disclosed in notes 2.1 and 17.

17. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	21,576	34,947
Retention payables – amount payable within one year	4,537	3,600
Retention payables – amount payable after one year	1,127	2,740
Accrued charges	5,149	5,684
Other payable	36	327
Receipts in advance from a customer (<i>note</i>)	–	627
	<u>32,425</u>	<u>47,925</u>

Note: Receipts in advance from a customer of HK\$627,000 at 31 March 2018 was reclassified as contract liabilities upon initial application of HKFRS 15 on 1 April 2018 as disclosed in notes 2.1 and 16.

The credit period of trade payables is 30 to 60 days.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	16,341	27,592
31 to 60 days	4,695	7,031
61 to 90 days	60	240
Over 90 days	480	84
	<u>21,576</u>	<u>34,947</u>

18. BANK BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank loans	89,528	109,321
Bank overdrafts	<u>7,835</u>	<u>7,871</u>
	<u>97,363</u>	<u>117,192</u>

The carrying amounts of the above borrowings repayable*:

– On demand or within one year	94,463	110,203
– Within a period of more than one year but not exceeding two years	1,200	4,089
– Within a period of more than two years but not exceeding five years	<u>1,700</u>	<u>2,900</u>
	<u>97,363</u>	<u>117,192</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Comprising:		
Amount due within one year shown under current liabilities	94,463	110,203
Amount that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause	<u>2,900</u>	<u>6,989</u>
	<u>97,363</u>	<u>117,192</u>

Variable-rate bank loans comprises:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Secured bank loans (note (a))		
HK\$ bank loans at bank's lending prime rate ("Prime Rate") less 2.00% to 2.75% (2018: Prime Rate less 2.00% to 2.50%) per annum	20,962	21,322
HK\$ bank loans at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.50% to 3.25% (2018: HIBOR plus 2.00% to 3.25%) per annum	<u>63,799</u>	<u>80,032</u>
	84,761	101,354
Unsecured bank loan (note (b))		
HK\$ bank loan at HIBOR plus 3.25% (2018: HIBOR plus 3.00%) per annum	<u>4,767</u>	7,967
	89,528	109,321
Secured bank overdrafts (note (a))		
HK\$ bank overdrafts at Prime Rate less 1.15% to 1.80% (2018: Prime Rate less 1.15% to 1.80%) per annum	<u>7,835</u>	7,871
	<u>97,363</u>	<u>117,192</u>

Notes:

- a) As at 31 March 2019, the secured bank loans and bank overdrafts are secured by the pledged bank deposits of HK\$32,141,000, trade receivables of HK\$16,819,000, contract assets of HK\$19,041,000 and financial assets at FVTPL of HK\$10,023,000 and properties held by a director of the Company and companies controlled by a director of the Company or his close family and secured by corporate guarantees of the Company.

As at 31 March 2018, the secured bank loans and bank overdrafts are secured by the pledged bank deposits of HK\$32,001,000, progress payments receivable of HK\$11,208,000, retention money receivables of HK\$12,826,000 and payments for the life insurance policies of HK\$8,613,000 and secured by corporate guarantees of the Company.

The secured bank loans carry effective interest rates ranging from 3.38% to 4.78% (2018: 2.25% to 4.04%) per annum.

The bank overdrafts carry effective interest rate ranging from 3.58% to 4.23% (2018: 3.45% to 4.10%) per annum.

- b) The unsecured bank loan is guaranteed by the Government of The Hong Kong Special Administrative Region under Small and Medium Enterprises ("SME") Loan Guarantee Scheme or/and The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme. The unsecured bank loan carries effective interest rate at 4.78% (2018: 3.79%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a subcontractor that provides façade and curtain wall works solutions in Hong Kong. Our solutions are customised to meet the technical specifications and performance requirements of our customers. We generally provide both design and build services in our projects, ranging from developing designs, conducting structural calculations, preparing shop drawings, sourcing and procuring building materials, arranging for building material logistics and installation works, project management to post-project completion services. We engage subcontractors to perform the installation work from time to time.

As at 31 March 2019, the Group had 6 projects in progress with a total original contract sum of approximately HK\$319.3 million, of which HK\$150.0 million was recognised as revenue during the Reporting Period.

During the Reporting Period, we were awarded three new projects, namely Sha Tsui Road, Pok Fu Lam Road and Good Hope School, with a total contract sum of approximately HK\$112.4 million. Letter of award of these three projects were signed and all these three projects are now at the commencement stage.

Subsequent to the Reporting Period, we were awarded one new project, namely Kai Tak KT1K, with a total contract sum of approximately HK\$200.0 million.

OUTLOOK

The demand for façade and curtain wall works is driven by construction of residential and commercial buildings. The development of residential buildings in Hong Kong has been a major driver of façade and curtain wall works and the number grew from 17,791 new units in 2017 to 20,968 new units in 2018.

Another driver for the façade and curtain wall works industry is office buildings in Hong Kong where the Hong Kong Government puts effort in developing areas like Kowloon East as new business areas. According to The Hong Kong Property Review 2019 compiled by the Rating and Valuation Department, completions of Grade A offices were 178,500 m², representing a slide of 4% from 2017. Majority of the new developments came from Kwun Tong and Eastern district, contributing 77% of the Grade A office completions. These buildings included both installation of curtain wall systems as the envelop system above the podium and the works for the building entrance, lobby and the associate stores.

Notwithstanding the negative impact from the economic slowdown driven by the China's macro-economic conditions, the Group remains optimistic about its core business as the management believes that there is a market for quality façade and curtain wall works in Hong Kong. The Group will further strengthen its sales effort, closely monitor the status of the projects and carefully control the cost of services as to expand its customer base and achieve sustainable business growth and long-term benefits to its shareholders. We are hoping to be more competitive and able to compete for more sizeable and profitable projects.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by approximately HK\$56.0 million or 20.6% from approximately HK\$271.8 million for the year ended 31 March 2018 to approximately HK\$215.8 million for the year ended 31 March 2019. Such decrease was mainly attributable to the substantial completion of two sizable projects while a substantial portion of revenue from these projects has been recognised prior to the Reporting Period and two of our current projects were delayed due to change of building design of developer and delayed work progress of main contractor.

Cost of Sales

The Group's cost of sales primarily consisted of building material costs, subcontracting charges, staff costs and other direct costs. The cost of services decreased to approximately HK\$203.4 million for the year ended 31 March 2019 from approximately HK\$234.4 million for the year ended 31 March 2018, representing a decrease of approximately 13.2%. The decrease referred to a net result of: (i) the decrease in revenue; and (ii) additional subcontracting costs incurred when carrying out certain projects.

For two projects at Victory Avenue and Prince Edward Road West, which were completed as at 31 March 2019, the Group was informed by the main contractors of each of the projects that the works performed by a subcontractor was not satisfactory and was requested to rectify the works within limited time. Under such tight schedule, the Group engaged other subcontractors and incurred additional costs to rectify the works. For the rectification works and variation orders arising from the accusation, the Group was requested by the subcontractor to pay the wages of the subcontractor's workers on its behalf temporarily. Subject to the conclusion of final accounts, all of these costs and expenses should be reimbursed by the subcontractor according to the contract between the Group and the subcontractor.

Having discussed with the Company's legal adviser, the Group's management has issued demand letters in February and April 2019 to the subcontractor requesting payment of outstanding sums owed by the subcontractor to the Group. As at the date of this announcement, we are waiting for reply from the subcontractor.

The Group is seeking legal advice to take further steps to recover the outstanding sums. The Group will endeavour to take all necessary measures to recover the outstanding amount.

Gross Profit and Average Gross Profit Margin

The Group's gross profit decreased by approximately HK\$25.1 million from approximately HK\$37.5 million for the year ended 31 March 2018 to approximately HK\$12.4 million for the year ended 31 March 2019. The Group's average gross profit margin decreased from approximately 13.8% for the year ended 31 March 2018 to approximately 5.7% for the year ended 31 March 2019, representing a decrease of approximately 8.1 percentage points. The decrease was due to the fact that (i) additional sub-contracting costs incurred when carrying out certain projects; and (ii) the average gross profit margin of new projects was lower than the projects for the year ended 31 March 2018 as a result of increasing competition from other contractors seeking to tender projects at lower price.

Other Income, Gain and Loss

Other income, gain and loss increased by approximately HK\$1.9 million for the year ended 31 March 2019 mainly due to the fair value change of life insurance.

Impairment Losses

Impairment losses increased by approximately HK\$1.8 million from nil for the year ended 31 March 2018 to approximately HK\$1.8 million for the year ended 31 March 2019. The increase was mainly attributable to the adoption of HKFRS 9.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$2.4 million from approximately HK\$11.8 million for the year ended 31 March 2018 to approximately HK\$14.2 million for the year ended 31 March 2019. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation, legal and professional fee, rental expenses and other administrative expenses. The increase was mainly attributable to the increase in staff costs of approximately HK\$1.2 million due to the increase in (i) unsuccessful tendering cost; and (ii) number of staff and salary level during the Reporting Period, and the increase in rental expenses of approximately HK\$1.0 million for the new Hong Kong office.

Finance Costs

Finance costs increased from approximately HK\$3.0 million for the year ended 31 March 2018 to approximately HK\$5.2 million for the year ended 31 March 2019. The increase in finance costs was mainly attributable to the increase in average bank borrowings to finance our business.

Other Expenses

Other expenses decreased by approximately HK\$14.5 million from approximately HK\$14.5 million for the year ended 31 March 2018 to nil for the year ended 31 March 2019. The decrease was mainly attributable to the one-off listing expenses of approximately HK\$14.5 million recognised during the year ended 31 March 2018.

Taxation

The income tax credit for the year ended 31 March 2019 was approximately HK\$0.3 million as compared to the income tax expenses of approximately HK\$3.9 million for the year ended 31 March 2018. Such change was mainly attributable to the recognition of deferred tax assets arising from expected credit losses.

(Loss) profit for the Year

Loss for the year ended 31 March 2019 was approximately HK\$6.6 million as compared to the profit of approximately HK\$4.2 million for the year ended 31 March 2018. Such change was mainly attributable to the decrease in the gross profit of approximately HK\$25.1 million and increase in administrative expenses of approximately HK\$2.4 million for the year ended 31 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES

On 23 February 2018, the Shares were listed on GEM of the Stock Exchange to raise gross proceeds of approximately HK\$56 million. Details of the use of proceeds are set out in the paragraph headed “Use of Proceeds” in this announcement.

Except for the proceeds raised from the Listing, the Group’s capital expenditure and daily operations during the year ended 31 March 2019 were mainly funded by cash generated from its operations and external borrowings.

Cash and bank balances as at 31 March 2019 was approximately HK\$14.8 million, decreased by approximately HK\$49.5 million when compared with HK\$64.3 million as at 31 March 2018. The decrease was mainly due to the cash used in daily operation of approximately HK\$22.3 million and repayment of bank borrowings (net) of approximately HK\$19.8 million.

The pledged deposits, including both the non-current and current portions, as at 31 March 2019 was approximately HK\$32.1 million, increased by approximately HK\$0.1 million when compared with HK\$32.0 million as at 31 March 2018, as a result of the interests generated from pledged deposits.

As at 31 March 2019, the Group had outstanding borrowings of approximately HK\$94.4 million repayable within one year (2018: HK\$110.2 million) and outstanding borrowings of approximately HK\$2.9 million repayable after one year (2018: HK\$7.0 million). The Group's borrowings were denominated in Hong Kong dollars ("HK\$").

The current ratio of the Group as at 31 March 2019 was 1.4 times as compared to that of 1.2 times as at 31 March 2018. The gearing ratio, being the net debt (defined as bank borrowings less cash and cash equivalents and pledged bank deposits) divided by net debt plus total equity at the end of the year, increased from approximately 23.0% to approximately 45.1% as at 31 March 2018 and 31 March 2019, respectively.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 23 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$8.0 million and the number of its issued ordinary shares was 800,000,000 of HK\$0.01 each.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 March 2019, the Group's bank deposits with carrying amounts of approximately HK\$32.1 million (2018: HK\$32.0 million), invoices issued to customers with total amount of approximately HK\$35.9 million (2018: HK\$24.0 million) and the financial assets at FVTPL of approximately HK\$10.0 million (2018: HK\$8.6 million) were pledged to secure certain letters of guarantee facility and banking facilities respectively, granted to the Group.

As at 31 March 2019, Mr. Yu Lap On Stephen and two companies controlled by Mr. Chow Mo Lam or his close family members (namely, Polyfaith Holdings Limited and Polykind Far East Limited) had pledged their properties to secure banking facilities granted to certain subsidiaries of the Group for nil consideration.

CAPITAL COMMITMENTS

As at 31 March 2019 and 2018, the Group did not have any significant capital commitments.

OPERATING LEASE COMMITMENTS

The Group's operating lease commitments are primarily related to the leases of its office and amounted to approximately HK\$4.0 million and HK\$4.0 million as at 31 March 2019 and 2018, respectively.

PERFORMANCE GUARANTEE

The Group provides guarantees in respect of the surety bonds in favour of the customers of certain construction contracts. Details of these guarantees are set out as follows:

	2019	2018
	<i>HK\$ million</i>	<i>HK\$ million</i>
Surety bond issued in favour of a customer	<u>10.2</u>	<u>8.2</u>

Save as disclosed herein, there is no other contingent liabilities that the Group is aware of.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the Reporting Period. Saved as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 March 2019.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The majority of the Group's businesses is in Hong Kong and is denominated in HK\$, Renminbi and US\$. As no material monetary assets or liabilities were denominated in foreign currencies, the Group is of the opinion that its exposure to foreign exchange rate risk is limited. Thus, the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 87 (2018: 89) employees. Total staff cost (including Directors' emoluments) were approximately HK\$36.1 million (2018: HK\$31.6 million). The remuneration package offered to our employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase and promotions based on the performance of each employee. The Group provides on-the-job training to our employees and sponsors certain employees to attend training courses.

SHARE OPTION SCHEME

The Group had adopted a share option scheme for the purpose of providing incentives and rewards to participants for the contribution of the Group. Up to 31 March 2019, no share option had been granted.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its business in Hong Kong. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Hong Kong during the year.

PRINCIPAL RISK AND UNCERTAINTIES

The Group believes that the risk management practices are important and uses its best effort to ensure it has sufficiently mitigated the risks present in our operations and financial position as efficiently and effectively as possible.

- Changes in the cost of building materials and staff as well as the subcontracting fees may result in cost overrun, which could materially affect our results of operation and financial performance;
- Our Group may face difficulties in refinancing or increase in cost of financing;
- Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;
- Cash flow of our projects may fluctuate;
- We rely on subcontractors to complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation; and
- Our success significantly depends on the key management and our ability to attract and retain additional façade and curtain wall design team staff.

For other risks and uncertainties facing the Group, please refer to the section headed “Risk Factors” in the Prospectus.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$56 million through the share offer upon the Listing. After deducting the listing expenses, the net proceeds were approximately HK\$28.2 million. The Directors had evaluated the Group's business strategies and considered that, as at the date of this announcement, no modification of the business strategies regarding the use of proceeds as described in the Prospectus was required.

As at 31 March 2019, the net proceeds from the Listing had been applied as follows:

	Adjusted use of proceeds in the same manner as stated in the Prospectus (HK\$' million)	Planned use of net proceeds up to 31 March 2019 (HK\$' million)	Actual use of net proceeds up to 31 March 2019 (HK\$' million)
Strengthening our financial position:			
– Settling upfront costs of three new projects	9.2	9.2	9.2
– Satisfying the surety bond requirement of Yue Man Square	5.3	5.3	5.3
Expanding our operation teams	11.2	6.8	5.6
General working capital	2.5	1.9	1.9
	<hr/>	<hr/>	<hr/>
Total	<u>28.2</u>	<u>23.2</u>	<u>22.0</u>

CORPORATE GOVERNANCE

For the year ended 31 March 2019 and up to the date of this announcement, the Company has applied the principles and code provisions in the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. During the Reporting Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS’ INTERESTS IN COMPETING INTERESTS

For the year ended 31 March 2019, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard**”). Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the Required Standard during the Reporting Period.

AUDIT COMMITTEE

The Company established an audit committee of the Company (the “**Audit Committee**”) on 25 January 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of Audit Committee was revised on 12 November 2018. The Audit Committee comprises three independent non-executive directors: Dr. Lung Cheuk Wah, Mr. Ng Ka Lok and Mr. Wong Chi Yung. Dr. Lung Cheuk Wah was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Company’s consolidated financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 March 2019 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu (the “**Auditor**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor 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 the Auditor on the preliminary announcement.

EVENTS AFTER THE REPORTING DATE

As from 31 March 2019 to the date of this announcement, no significant events have occurred.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019 (2018: Nil).

ANNUAL GENERAL MEETING (THE “AGM”)

The forthcoming AGM of the Company will be held on Thursday, 22 August 2019 at 10:30 a.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Monday, 19 August 2019 to Thursday, 22 August 2019 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 August 2019.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.polyfaircurtainwall.com.hk). The annual report for the Reporting Period containing all the information required by the GEM Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to the Company's shareholders in due course.

By order of the Board
Polyfair Holdings Limited
Chow Mo Lam
Chairman and Executive Director

Hong Kong, 21 June 2019

As at the date of this announcement, the executive Directors are Mr. Chow Mo Lam (Chairman), Mr. Yu Lap On Stephen (Chief Executive Officer) and Mr. Wong Kam Man; and the independent non-executive Directors are Dr. Lung Cheuk Wah, Mr. Ng Ka Lok and Mr. Wong Chi Yung.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.polyfaircurtainwall.com.hk.