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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.*

INTERIM RESULTS

The board (the “**Board**”) of Directors is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	154,729	107,070
Cost of sales		<u>(144,077)</u>	<u>(97,085)</u>
Gross profit		10,652	9,985
Other income, gain and loss	5	65	245
Administrative expenses		<u>(6,742)</u>	(8,180)
Finance costs	6	<u>(2,844)</u>	<u>(2,538)</u>
Profit (loss) before taxation	7	1,131	(488)
Taxation	8	<u>2,146</u>	<u>(10)</u>
Profit (loss) for the period		<u><u>3,277</u></u>	<u><u>(498)</u></u>
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>(2)</u>	<u>(79)</u>
Other comprehensive expenses for the period		<u>(2)</u>	<u>(79)</u>
Total comprehensive income (expenses) for the period		<u><u>3,275</u></u>	<u><u>(577)</u></u>
		HK cents	HK cents
Earnings (loss) per share – basic	10	<u><u>0.41</u></u>	<u><u>(0.06)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	<i>Notes</i>	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	1,145	1,372
Deposits		472	472
Financial assets at fair value through profit or loss		10,023	10,023
Right-of-use assets		2,337	–
Deferred tax assets		609	609
		<u>14,586</u>	<u>12,476</u>
Current assets			
Contract assets	<i>12</i>	128,070	104,564
Trade receivables	<i>13</i>	32,312	23,616
Prepayments, deposits and other receivables		714	2,640
Tax recoverable		1,019	1,013
Pledged bank deposits		32,231	32,141
Bank balances and cash		3,287	14,791
		<u>197,633</u>	<u>178,765</u>
Current liabilities			
Trade and other payables	<i>14</i>	40,934	32,425
Tax payable		196	–
Bank borrowings	<i>15</i>	104,050	97,363
Lease liabilities		1,916	–
		<u>147,096</u>	<u>129,788</u>
Net current assets		<u>50,537</u>	<u>48,977</u>
Non-current liabilities			
Lease liabilities		484	–
		<u>484</u>	<u>–</u>
Net assets		<u>64,639</u>	<u>61,453</u>
Capital and reserves			
Share capital	<i>16</i>	8,000	8,000
Reserves		56,639	53,453
Total equity		<u>64,639</u>	<u>61,453</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 31 March 2018 (Audited)	8,000	37,915	3,000	100	20,783	69,798
Adjustments upon adoption of HKFRS 9	—	—	—	—	(1,706)	(1,706)
At 1 April 2018 (Restated)	8,000	37,915	3,000	100	19,077	68,092
Loss for the period	—	—	—	—	(498)	(498)
Other comprehensive expenses for the period	—	—	—	(79)	—	(79)
Total comprehensive expenses for the period	—	—	—	(79)	(498)	(577)
At 30 September 2018 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>21</u>	<u>18,579</u>	<u>67,515</u>
At 31 March 2019 (Audited)	8,000	37,915	3,000	42	12,496	61,453
Adjustments upon adoption of HKFRS 16	—	—	—	—	(89)	(89)
At 1 April 2019 (Restated)	8,000	37,915	3,000	42	12,407	61,364
Profit for the period	—	—	—	—	3,277	3,277
Other comprehensive expenses for the period	—	—	—	(2)	—	(2)
Total comprehensive (expenses) income for the period	—	—	—	(2)	3,277	3,275
At 30 September 2019 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>40</u>	<u>15,684</u>	<u>64,639</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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended	
		30 September	
	<i>Note</i>	2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Net cash used in operating activities	<i>19</i>	(14,345)	(12,678)
Net cash used in investing activities			
Interest received		97	64
Acquisition of property, plant and equipment		(48)	(174)
Placement of pledged bank deposits		(90)	(10,063)
		(41)	(10,173)
Net cash from (used in) financing activities			
New bank borrowings raised		299,846	211,593
Repayments of bank borrowings		(293,159)	(225,693)
Finance costs paid for bank loans and bank overdrafts		(2,786)	(2,538)
Payments of lease liabilities and interests		(987)	–
		2,914	(16,638)
Net decrease in cash and cash equivalents		(11,472)	(39,489)
Cash and cash equivalents at the beginning of the period		14,791	64,313
Effect of foreign exchange rate difference		(32)	(71)
Cash and cash equivalents at the end of the period		3,287	24,753
Analysis of cash and cash equivalents:			
Bank balances and cash		3,287	24,753

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION

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 with effect from 23 February 2018 (the “**Listing Date**”). Its controlling shareholder is C.N.Y. Holdings Limited (“**CNY**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and is held as to 83% by Mr. Chow Mo Lam (“**Mr. Chow**”) and 17% by Mr. Yu Lap On Stephen (“**Mr. Yu**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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 unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HKS**”).

Other than those subsidiaries established in the People’s Republic of China (the “**PRC**”) whose functional currency is Renminbi (“**RMB**”), the functional currency of the Company and its remaining subsidiaries are HK\$.

All values are rounded to the nearest thousands (“**HKS’000**”) except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and with the applicable disclosure requirements of Chapter 18 of GEM Listing Rules.

The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards (“**HKFRSs**”) financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2019.

The unaudited condensed consolidated financial statement for the six months ended 30 September 2019 have not been audited by the Company’s independent auditors, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and in accordance with HKFRSs issued by HKICPA.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements HKFRSs 2015–2017 Cycle

Except as described below, the application of these new and amendments to HKFRSs did not have any material impact on the Group's condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of approximately HK\$3,329,000 and right-of-use assets of approximately HK\$3,276,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.2%.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	4,020
Less: Recognition exemption — short-term leases	<u>(481)</u>
	3,539
Lease liabilities discounted at relevant incremental borrowing rates	<u>(210)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	<u>3,329</u>
Analysed as	
Current	1,876
Non-current	<u>1,453</u>
	<u><u>3,329</u></u>

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u>3,276</u>
By class:	
Office	<u><u>3,276</u></u>

3.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

3.2.1 Significant changes in significant judgements and key sources of estimation uncertainty

The following are significant judgements relating to application of HKFRS 16 for consideration, the list is not exhaustive:

Lease term

In determination on lease term of contracts with renewal options, the Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Incremental borrowing rate

In determination on incremental borrowing rate, the Group applies judgement to determine the applicable rate to calculate the present value of lease payments. The incremental borrowing rate of the Group applies, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The directors of the Company do not anticipate that the application of the other new and amendments to HKFRSs will have a material effect on the condensed consolidated financial statements in the foreseeable future.

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). 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 profit for the period 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.

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Recognised over time:		
Residential properties	25,709	63,665
Commercial properties	129,020	43,405
	<u>154,729</u>	<u>107,070</u>

All revenue during each of the reporting period is derived from customers 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 period are as below:

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A ¹	32,056	19,666
Customer B ²	N/A ⁴	42,064
Customer C ³	86,615	33,444
Customer D ²	22,880	N/A ⁴
	<u>22,880</u>	<u>107,070</u>

¹ Revenue from commercial properties and residential properties contract works.

² Revenue from residential properties contract works.

³ Revenue from commercial properties contract works.

⁴ Revenue from these customers was less than 10% of the total revenue for the period.

5. OTHER INCOME, GAIN AND LOSS

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	96	219
Exchange (loss) gain	(31)	26
	<u>65</u>	<u>245</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and bank overdrafts	2,786	2,538
Interest on lease liabilities	58	–
	<u>2,844</u>	<u>2,538</u>

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration	2,670	2,547
Other staff costs	16,057	12,643
Retirement benefit schemes contributions for other staff	1,228	1,264
	<u>19,955</u>	<u>16,454</u>
Total staff costs		
Auditor's remuneration	500	500
Depreciation of property, plant and equipment	265	174
Depreciation of right-of-use assets	939	–
Short-term lease rentals in respect of rented premises	233	–
Operating lease rentals in respect of rented premises	–	967
	<u>–</u>	<u>967</u>

8. TAXATION

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The tax (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax	191	–
PRC Enterprise Income Tax	5	10
	<u>196</u>	<u>10</u>
Tax refund from prior years		
Hong Kong Profits Tax	(2,342)	–
	<u>(2,146)</u>	<u>10</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%.

For the six months ended 30 September 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the six months ended 30 September 2019, the Group received a tax refund of approximately HK\$2.3 million, which was arisen from prior years.

No provision for taxation in other jurisdictions has been made as the Group has no operation outside Hong Kong and the PRC.

9. DIVIDENDS

No dividends were paid, declared and proposed by the Company since its incorporation.

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2019 (Six months ended 30 September 2018: Nil).

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 September	2019	2018
	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>3,277</u>	<u>(498)</u>	
	Six months ended 30 September	2019	2018
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>800,000,000</u>	<u>800,000,000</u>	

For the six months ended 30 September 2019 and 2018, no diluted earnings (loss) per share were presented as there were no potential ordinary shares in issue.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$48,000 (Six months ended 30 September 2018: approximately HK\$174,000).

12. CONTRACT ASSETS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Construction contracts	128,832	105,326
Less: Impairment allowance for ECL	<u>(762)</u>	<u>(762)</u>
	<u>128,070</u>	<u>104,564</u>

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\$25,017,000 as at 30 September 2019.

13. TRADE RECEIVABLES

Trade receivables 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 based on invoice date is as follows:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Within 30 days	26,318	19,578
31 to 90 days	5,319	1,764
Over 90 days	<u>675</u>	<u>2,274</u>
	<u>32,312</u>	<u>23,616</u>

As at 30 September 2019, the carrying amount of trade receivables from contracts with customers is HK\$32,312,000, net of impairment loss of HK\$2,803,000.

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 30 September 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.

Included in the Group's progress payments receivables balance are debtors with an aggregate carrying amount of HK\$675,000 (as at 31 March 2019: HK\$2,274,000) at 30 September 2019 which are past due 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.

Ageing of trade receivables which are past due but not impaired:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Over 90 days	<u>675</u>	<u>2,274</u>

14. TRADE AND OTHER PAYABLES

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Trade payables	27,379	21,576
Retention payables – amount payable within one year	4,539	4,537
Retention payables – amount payable after one year	3,356	1,127
Accrued charges	5,528	5,149
Other payable	<u>132</u>	<u>36</u>
	<u>40,934</u>	<u>32,425</u>

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:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Within 30 days	24,702	16,341
31 to 60 days	2,253	4,695
61 to 90 days	373	60
Over 90 days	<u>51</u>	<u>480</u>
	<u>27,379</u>	<u>21,576</u>

15. BANK BORROWINGS

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Bank loans	96,552	89,528
Bank overdrafts	7,498	7,835
	<u>104,050</u>	<u>97,363</u>
The carrying amounts of the above borrowings repayable*:		
– On demand or within one year	101,750	94,463
– Within a period of more than one year but not exceeding two years	1,200	1,200
– Within a period of more than two years but not exceeding five years	1,100	1,700
	<u>104,050</u>	<u>97,363</u>

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

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Comprising:		
Amount due within one year shown under current liabilities	101,750	94,463
Amount that are not repayable within one year from the end of the Reporting Period but containing a repayment on demand clause	2,300	2,900
	<u>104,050</u>	<u>97,363</u>

Variable-rate bank loans comprises:

	At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
Secured bank loans (note (a))		
HK\$ bank loans at bank's lending prime rate ("Prime Rate") less 2.00% to 2.75% (31 March 2019: Prime Rate less 2.00% to 2.75%) per annum	2,483	20,962
HK\$ bank loans at Hong Kong Interbank Offered Rate ("HIBOR") plus 2.50% to 3.25% (31 March 2019: HIBOR plus 2.50% to 3.25%) per annum	<u>90,569</u>	<u>63,799</u>
	93,052	84,761
Unsecured bank loan (note (b))		
HK\$ bank loan at HIBOR plus 3.25% (31 March 2019: HIBOR plus 3.25%) per annum	<u>3,500</u>	<u>4,767</u>
	96,552	89,528
Secured bank overdrafts (note (a))		
HK\$ bank overdrafts at Prime Rate less 1.15% to 1.80% (31 March 2019: Prime Rate less 1.15% to 1.80%) per annum	<u>7,498</u>	<u>7,835</u>
	104,050	97,363

Notes:

- a) As at 30 September 2019, the secured bank loans and bank overdrafts are secured by the pledged bank deposits of HK\$32,231,000, trade receivables of HK\$28,297,000, contract assets of HK\$16,517,000 and financial assets at fair value through profit or loss ("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 2019, the secured bank loans and bank overdrafts are secured by the pledged bank deposits of HK\$32,141,000, trade receivables of HK\$22,694,000, contract assets of HK\$14,666,000 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.

The secured bank loans carry effective interest rates ranging from 2.38% to 5.16% (31 March 2019: 2.38% to 4.78%) per annum.

The bank overdrafts carry effective interest rate ranging from 3.58% to 4.23% (31 March 2019: 3.58% to 4.23%) 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 5.16% (31 March 2019: 4.78%) per annum.

16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
At 31 March 2019 (Audited) and 30 September 2019 (Unaudited) (HK\$0.01 each)	<u>800,000,000</u>	<u>8,000</u>
Issued and fully paid:		
At 31 March 2019 (Audited) and 30 September 2019 (Unaudited) (HK\$0.01 each)	<u>800,000,000</u>	<u>8,000</u>

17. CONTINGENT LIABILITIES

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 follows:

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Surety bond issued in favour of customers	<u>10,245</u>	<u>10,245</u>

18. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Six months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Salaries and other short-term benefits	2,364	2,250
Retirement benefits scheme contribution	<u>18</u>	<u>27</u>
	<u>2,382</u>	<u>2,277</u>

As at 30 September 2019, properties held by a director of the Company and companies controlled by a director of the Company or his close family members were pledged to secure bank loans of HK\$86,853,000 (31 March 2019: HK\$56,892,000) out of total secured bank loans of HK\$93,052,000 (31 March 2019: HK\$84,761,000) as set out in note 15. These properties were also pledged to secure surety bonds of HK\$10,245,000 given by bank as at 30 September 2019 and 31 March 2019 as disclosed in note 17.

19. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO NET CASH USED IN OPERATIONS

	Six months ended 30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation	1,131	(488)
Adjustments for:		
Premium charged on life insurance policies	–	115
Depreciation	265	174
Finance costs	2,844	2,538
Interest income	(96)	(219)
	4,144	2,120
Operating profit before working capital changes		
Increase in trade receivables	(8,696)	–
Decrease (increase) in prepayment, deposits and other receivable	1,886	(3,397)
Decrease in right-of-use assets	939	–
Increase (decrease) in trade and other payables	10,888	(20,136)
Increase in retention receivables	–	(3,288)
Increase in progress payment receivables	–	(2,989)
(Increase) decrease in contract assets	(23,506)	15,022
Cash used in operations	(14,345)	(12,668)
PRC Enterprise Income tax paid	–	(10)
Net cash used in operating activities	(14,345)	(12,678)

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 30 September 2019, the Group had 7 projects in progress with a total original contract sum of approximately HK\$519.3 million. Total revenue of approximately HK\$112.7 million was recognised during the Reporting Period.

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

Subsequent to the Reporting Period, we were awarded one new project, namely HKFYG, with a total contract sum of approximately HK\$15.4 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 in 2018, 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 PRC'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 sales as to expand its customer base and achieve sustainable business growth and long-term benefits to its shareholders. We aim to be more competitive so as to compete for more sizeable and profitable projects.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$47.6 million or 44.4% from approximately HK\$107.1 million for the six months ended 30 September 2018 to approximately HK\$154.7 million for the six months ended 30 September 2019. Such increase was mainly attributable to the contribution from revenue of two sizable projects, namely Yeung Uk Road and Yue Man Square, increased by approximately HK\$50.8 million from approximately HK\$37.4 million for the six months ended 30 September 2018 to approximately HK\$88.2 million for the six months ended 30 September 2019.

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 sales increased to approximately HK\$144.1 million for the six months ended 30 September 2019 from approximately HK\$97.1 million for the six months ended 30 September 2018, representing an increase of approximately 48.4%. The Group's cost of sales increased along with the growth in revenue for the six months ended 30 September 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$0.7 million from approximately HK\$10.0 million for the six months ended 30 September 2018 to approximately HK\$10.7 million for the six months ended 30 September 2019. Despite the increase of the Group's gross profit, the Group's gross profit margin decreased from approximately 9.3% for the six months ended 30 September 2018 to approximately 6.9% for the six months ended 30 September 2019, representing a decrease of approximately 2.4 percentage points. The decrease was due to the facts that (i) the gross profit margin of new projects were lower than the projects for the six months ended 30 September 2018 as a result of the intense competition in the market and other market players may submit tenders with lower price; and (ii) additional sub-contracting costs incurred when carrying out certain projects.

Other Income, Gain and Loss

Other income, gain and loss decreased by approximately HK\$0.2 million for the six months ended 30 September 2019 mainly due to depreciation in the exchange rate against RMB.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$1.5 million from approximately HK\$8.2 million for the six months ended 30 September 2018 to approximately HK\$6.7 million for the six months ended 30 September 2019. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation, legal

and professional fee, rental expenses and other administrative expenses. The decrease was mainly attributable to the decrease in staff costs of approximately HK\$1.4 million due to the decrease in unsuccessful tendering cost during the period.

Finance Costs

Finance costs increased from approximately HK\$2.5 million for the six months ended 30 September 2018 to approximately HK\$2.8 million for the six months ended 30 September 2019. The increase in finance costs was mainly attributable to the increase in bank borrowings to finance our business.

Taxation

The income tax credit for the six months ended 30 September 2019 was approximately HK\$2.1 million as compared to the income tax expenses of approximately HK\$10,000 for the six months ended 30 September 2018. Such change was mainly attributable to the tax refund of approximately HK\$2.3 million arisen from prior years.

Profit (loss) for the Period

Profit for the six months ended 30 September 2019 was approximately HK\$3.3 million as compared to the loss of approximately HK\$0.5 million for the six months ended 30 September 2018. Such change was mainly attributable to the increase in the income tax credit of approximately HK\$2.1 million and the decrease in administrative expenses of approximately HK\$1.5 million for the six months ended 30 September 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 six months ended 30 September 2019 were mainly funded by cash generated from its operations and external borrowings.

Cash and bank balances as at 30 September 2019 was approximately HK\$3.3 million, decreased by approximately HK\$11.5 million when compared with approximately HK\$14.8 million as at 31 March 2019. Such change was mainly attributable to a net result of: (i) the cash used in daily operation of approximately HK\$14.3 million; and (ii) new bank borrowings raised (net) of approximately HK\$6.7 million.

The pledged deposits, including both the non-current and current portions, as at 30 September 2019 was approximately HK\$32.2 million, increased by approximately HK\$0.1 million when compared with approximately HK\$32.1 million as at 31 March 2019, as a result of the interests generated from pledged deposits.

As at 30 September 2019, the Group had outstanding borrowings of approximately HK\$101.8 million repayable within one year (as at 31 March 2019: HK\$94.5 million) and outstanding borrowings of approximately HK\$2.3 million repayable after one year (as at 31 March 2019: HK\$2.9 million). The Group's borrowings were denominated in HK\$.

The current ratio of the Group as at 30 September 2019 was 1.3 times as compared to that of 1.4 times as at 31 March 2019. 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 period, increased from approximately 45.1% to approximately 51.5% as at 31 March 2019 and 30 September 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 30 September 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 and this announcement, 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 30 September 2019, the Group's bank deposits with carrying amounts of approximately HK\$32.2 million (as at 31 March 2019: HK\$32.1 million), trade receivables of approximately HK\$28.3 million (as at 31 March 2019: HK\$22.7 million), contract assets of approximately HK\$16.5 million (as at 31 March 2019: HK\$14.7 million) and the financial assets at FVTPL of approximately HK\$10.0 million (as at 31 March 2019: HK\$10.0 million) were pledged to secure certain letters of guarantee facility and banking facilities respectively, granted to the Group.

CAPITAL COMMITMENTS

As at 30 September 2019 and 31 March 2019, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

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:

	At 30 September 2019 (Unaudited) HK\$ million	At 31 March 2019 (Audited) HK\$ million
Surety bond issued in favour of customers	<u>10.2</u>	<u>10.2</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 the Group during the Reporting Period. Saved as disclosed in the Prospectus, the Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 30 September 2019.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The majority of the Group's businesses is in Hong Kong and is denominated in HK\$, RMB 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 30 September 2019, the Group had 89 (as at 31 March 2019: 87) employees. During the Reporting Period, total staff cost (including Directors' emoluments) were approximately HK\$20.0 million (for the six months ended 30 September 2018: HK\$16.5 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.

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 period.

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;
- The 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date (i.e. 23 February 2018) to 30 September 2019 is set out below:

Business objectives up to 30 June 2018 as set out in the Prospectus	Actual business progress up to 30 September 2019
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To strengthen our financial positions to capture emerging business opportunities

Earmark for settling upfront costs of three new projects and one potential project	Approximately HK\$9.2 million was used to settle the upfront costs of the projects, namely Yue Man Square, Wing Kin Road and Yeung Uk Road where as the first payment of Yeung Uk Road was received in July 2018.
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Earmark for satisfying the surety bond requirement of one of the new projects	The Group satisfied the surety bond requirement of the new project in December 2018.
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To expand our operation teams, offices and office equipment

Recruit and pay the staff costs of up to 18 additional full-time staff	The Group recruited the 18 additional full-time staff to explore new business opportunities and handle new projects.
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Rent and pay the management fees of an extra office in Hong Kong	The Group rented an extra office at a different floor in the same building in March 2018.
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Decoration, fixtures and furniture of the extra office in Hong Kong	The Group rented an extra office at a different floor in the same building. The decoration was completed in April 2018.
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Purchase office equipment including, among others, the license of a design software	After the completion of the new office renovation in April 2018, the Group bought office equipment to support the expansion of our operation.
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USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$56.0 million through share offer upon the Listing. After deducting the listing expenses, the net proceeds were approximately HK\$28.2 million.

The actual net proceeds from share offer was different from the estimate net proceeds of approximately HK\$34.2 million as set out in the Prospectus.

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 51.4% of the net proceeds, representing approximately HK\$14.5 million, would be used for strengthening our financial position to capture emerging business opportunities, including settling upfront costs of new projects and satisfying the surety bond requirement of the projects, (ii) approximately 39.8% of the net proceeds, representing approximately HK\$11.2 million, would be used for expanding our operation teams, and (iii) approximately 8.8% of the net proceeds, representing approximately HK\$2.5 million, would be used for working capital and other general corporate purposes.

Analysis of the utilisation of the net proceeds from the Listing Date up to 30 September 2019 is set out below:

	Adjusted use of proceeds in the same manner as stated in the Prospectus (HK\$' million)	Planned use of net proceeds up to 30 September 2019 (HK\$' million)	Actual use of net proceeds up to 30 September 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	9.8	9.8
General working capital	2.5	2.3	2.3
	<hr/>	<hr/>	<hr/>
Total	28.2	26.6	26.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

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

As at 30 September 2019, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Interests in Shares of the Company

Name of Director	Capacity	Long/short Position	Number of Shares held	Percentage of shareholding in the Company
Mr. Chow Mo Lam	Interest of controlled corporation	Long position	600,000,000 Shares ^(Note)	75%

Note: 600,000,000 Shares are directly held by CNY, a company incorporated in the BVI with limited liability, which is owned by Mr. Chow as to 83% and by Mr. Yu as to 17%. Both Mr. Chow and Mr. Yu are executive Directors. By virtue of the SFO, Mr. Chow is deemed to be interested in the 600,000,000 Shares held by CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.

(b) Interests in shares of the associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Long/short Position	Number of shares held	Percentage of shareholding in the associated corporation
C.N.Y. Holdings Limited	Mr. Chow Mo Lam	Beneficial owner	Long position	83 shares ^(Note)	83%
C.N.Y. Holdings Limited	Mr. Yu Lap On Stephen	Beneficial owner	Long position	17 shares ^(Note)	17%

Note: 600,000,000 Shares are directly held by CNY, a company incorporated in the BVI with limited liability, which is owned by Mr. Chow as to 83% and by Mr. Yu as to 17%. Both Mr. Chow and Mr. Yu are executive Directors. By virtue of the SFO, Mr. Chow is deemed to be interested in the 600,000,000 Shares held by CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.

Save as disclosed above, as at 30 September 2019, none of the Directors or the chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange as at 30 September 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this announcement, as at 30 September 2019, so far as it was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of shareholders	Capacity	Long/short position	Number of Shares held	Percentage of shareholding in the Company
C.N.Y. Holdings Limited	Beneficial owner ^(Note 1)	Long position	600,000,000 Shares ^(Note 1)	75%
Ms. Hau Pak Sui	Interest of spouse ^(Note 2)	Long position	600,000,000 Shares ^(Note 2)	75%

Notes:

- 600,000,000 Shares are directly held by CNY, a company incorporated in the BVI with limited liability, which is owned by Mr. Chow as to 83% and by Mr. Yu as to 17%. Both Mr. Chow and Mr. Yu are executive Directors. By virtue of the SFO, Mr. Chow is deemed to be interested in the 600,000,000 Shares held by CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.
- Ms. Hau Pak Sui is the spouse of Mr. Chow and she is deemed to be interested in the 600,000,000 Shares, in which Mr. Chow is deemed interested by virtue of the SFO.

Save as disclosed above, and as at 30 September 2019, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the share capital of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

For the six months ended 30 September 2019 and up to the date of this announcement, 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, either directly or indirectly, 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.

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 30 September 2019, no share option had been granted.

CORPORATE GOVERNANCE

During the Reporting Period 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 six months ended 30 September 2019, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

COMPLIANCE ADVISER'S INTEREST

As at 30 September 2019 and the date of this announcement, as notified by the Company's compliance adviser, First Shanghai Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 29 May 2019 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established 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 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 dismissal of external auditor, review the financial statements and the information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 and this interim result and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and the adequate disclosure had been made.

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

Hong Kong, 11 November 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.