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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 2022

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 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2021 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
	NOTES	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	169,577	166,537
Cost of services		<u>(162,615)</u>	<u>(157,398)</u>
Gross profit		6,962	9,139
Interest revenue		14	18
Other income, gains and losses	5	1,631	56
Administrative expenses		<u>(4,667)</u>	<u>(4,861)</u>
Profit from operation			
Finance costs	6	<u>(2,549)</u>	<u>(1,927)</u>
Profit before tax		1,391	2,425
Income tax expenses	7	<u>(144)</u>	<u>(413)</u>
Profit for the period	8	<u>1,247</u>	<u>2,012</u>
Other comprehensive income after tax: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>78</u>	<u>35</u>
Other comprehensive income for the period, net of tax		<u>78</u>	<u>35</u>
Total comprehensive income for the period		<u>1,325</u>	<u>2,047</u>
Earnings per share	10		
Basic (HK cents)		<u>0.16</u>	<u>0.25</u>
Diluted (HK cents)		<u>0.16</u>	<u>0.25</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022 <i>HK\$'000</i> <i>(Unaudited)</i>	At 31 March 2022 <i>HK\$'000</i> <i>(Unaudited)</i>
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	11	242	315
Right-of-use assets		817	1,634
Financial assets at fair value through profit or loss		9,906	9,906
Deferred tax assets		775	775
Deposits		4,400	4,400
		<u>16,140</u>	<u>17,030</u>
Current assets			
Trade receivables	13	39,686	29,462
Contract assets	12	184,519	148,580
Prepayments, deposits and other receivables		27,842	18,782
Pledged bank balances		27,426	27,412
Bank balances and cash		12,883	12,500
		<u>292,356</u>	<u>236,736</u>
Current liabilities			
Trade and other payables	14	87,726	65,222
Tax payable		271	127
Bank borrowings	15	149,345	117,720
Lease liabilities		804	1,672
		<u>238,146</u>	<u>184,741</u>
Net current assets		<u>54,210</u>	51,995
Total assets less current liabilities		<u>70,350</u>	69,025
Net assets		<u>70,350</u>	69,025
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		62,350	61,025
Total equity		<u>70,350</u>	69,025

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	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 2021 (Audited)	8,000	37,915	3,000	10	17,415	66,340
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>36</u>	<u>2,012</u>	<u>2,048</u>
At 30 September 2021 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>46</u>	<u>19,427</u>	<u>68,388</u>
At 1 April 2022 (Audited)	8,000	37,915	3,000	38	20,072	69,025
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>78</u>	<u>1,247</u>	<u>1,325</u>
At 30 September 2022 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>116</u>	<u>21,319</u>	<u>70,350</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 issued share capital of Polyfair HK pursuant to a group reorganisation completed on 19 January 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before taxation	1,391	2,425
Adjustment for:		
Depreciation of property, plant and equipment	97	141
Depreciation of right-of-use assets	817	860
Finance costs	2,549	1,927
Interest income	(14)	(18)
	4,840	5,335
Operating profit before working capital changes	4,840	5,335
Change in trade receivables	(10,224)	(46,042)
Change in prepayments, deposits and other receivables	(9,065)	(1,656)
Change in contract assets	(35,939)	2,113
Change in trade and other payables	22,598	12,605
	(27,790)	(27,645)
Cash used in operations	(27,790)	(27,645)
Income taxes paid	–	(18)
	(27,790)	(27,663)
Net cash used in operating activities	(27,790)	(27,663)
Cash flows from investing activities		
Interest received	14	18
Purchase of property, plant and equipment	(24)	(29)
Placement of pledged bank balances	(14)	(18)
	(24)	(29)
Net cash used in investing activities	(24)	(29)

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Interest paid	(2,549)	(1,927)
New bank borrowings raised	222,498	225,495
Repayment of bank borrowings	(190,873)	(193,066)
Repayment of lease liabilities	(868)	(798)
	<u>28,208</u>	<u>29,704</u>
Net cash generated from financing activities		
	28,208	29,704
NET INCREASE IN CASH AND CASH EQUIVALENTS	394	2,012
Effect of foreign exchange rate changes	(10)	46
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	12,499	10,623
	<u>12,499</u>	<u>10,623</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,883	12,681
	<u>12,883</u>	<u>12,681</u>
Analysis of cash and cash equivalents		
Bank balances and cash	12,883	12,681
	<u>12,883</u>	<u>12,681</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

Polyfair Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 25 May 2017 and its shares are listed on GEM of the Stock Exchange on 23 February 2018. Its immediate and ultimate holding company is C.N.Y. Holdings Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 1206-7, 12th Floor, Fortress Tower, 250 King’s Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together referred to as the “**Group**”) are provision of design and project management services for façade and installation of curtain wall systems in Hong Kong.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”).

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 (“**HK\$’000**”) except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs included Hong Kong Accounting Standard and Interpretations. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 September 2022 are consistent with those adopted in the annual report for the year ended 31 March 2022, except for the new HKFRSs issued by the HKICPA that is adopted for the first time for the Reporting Period of the Group. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results of the Group. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2022 have not been audited by the Company’s independent auditors, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

These condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss, which are carried at their fair values.

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022.

Application of new and amendments to HKFRSs

In the Reporting Period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA for the preparation of the Group's condensed consolidated financial statements:

HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 16 (Amendments)	Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a contract

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

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 the fair value of amount received and receivable from provision of construction services.

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction services for residential properties	96,510	88,897
Construction services for commercial properties	73,067	77,640
	<hr/>	<hr/>
Revenue from contracts with customers	169,577	166,537
	<hr/> <hr/>	<hr/> <hr/>

Segment information

For the purpose of resources allocation and performance assessment, the chief operation decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

Geographical information

No geographical information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's non-current assets (excluding financial assets and deferred tax assets) are substantially located in Hong Kong.

Timing of revenue recognition

All timing of revenue recognition is over time for the six months ended 30 September 2022 and 2021.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the period is as follows:

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	67,307	34,690
Customer B	19,476	27,747
Customer C	39,806	16,247*
Customer D	24,996	67,840
	<hr/> <hr/>	<hr/> <hr/>

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gains	104	20
Government subsidy	1,527	–
Sundry income	–	36
	<u>1,631</u>	<u>56</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and bank overdrafts	2,526	1,872
Interest on lease liabilities	23	55
	<u>2,549</u>	<u>1,927</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax:		
– Provision for the period	144	413
	<u>144</u>	<u>413</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million 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%.

Hong Kong Profits Tax has been provided at the rate of 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profit over HK\$2 million for the period ended 30 September 2022 and 2021.

According to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), an entity eligible as a Small Low-profit Enterprise (小型微利企業) is subject to preferential tax treatments. From 1 January 2019 to 31 December 2020, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 25% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%. From 1 January 2021 to 31 December 2021, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%. From 1 January 2022 to 31 December 2024, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Group's profit for the period is stated after charging the following:		
Directors' remuneration	2,941	2,798
Other staff costs:		
Salaries and other benefits	21,864	19,267
Retirement benefit schemes contributions	1,588	1,307
Total staff costs*	26,393	23,372
Auditor's remuneration	293	293
Depreciation of property, plant and equipment	97	141
Depreciation of right-of-use assets	817	860
Short-term lease rentals in respect of rented premises	214	233

* The staff costs were expensed in direct costs and administrative expenses amounting to HK\$23,608,000 (2021: HK\$20,418,000) and HK\$2,785,000 (2021: HK\$2,954,000) respectively.

9. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the six months ended 30 September 2022 nor since the end of the Reporting Period.

The Directors do not recommend the payment of a dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

10. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	1,247	2,012

Number of shares

	Six months ended 30 September	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	800,000	800,000

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$24,000 (for the six months ended 30 September 2021: approximately HK\$29,000).

12. CONTRACT ASSETS

Disclosures of revenue-related items:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Contract assets – construction	<u>184,519</u>	<u>148,580</u>
Contract receivable (included in trade receivables)	<u>39,686</u>	<u>29,462</u>

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocation to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of construction services as at 30 September 2022 will be recognised as revenue during the period ending 30 September 2023 to 2025 (2021: the period ended 30 September 2022 to 2024).

A contract assets represents the Group's right to consideration in exchange for products or services that the Group has transferred to a customer.

Retention receivables relating to contracts in progress of HK\$41,898,000 (2021: HK\$42,633,000) are included in contract assets as at 30 September 2022. Retention monies will be released after completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of the issuance of the practical completion certificate. Upon satisfactory completion of contract work as set out in the contract, the architect for the building project will issue a practical completion certificate. Generally, upon the issuance of the practical completion certificate, half of the retention money of such contract work will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate at the end of defect liability period that identified defects in respect of the entire building project have been made good.

13. TRADE RECEIVABLES

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Trade receivables	42,495	32,271
Less: allowance for bad and doubtful debts	<u>(2,809)</u>	<u>(2,809)</u>
	<u>39,686</u>	<u>29,462</u>

The Group allows a credit period of 14 to 30 days to its customers for construction works after the work is certified, except for several credit worthy customers to whom an extended credit period would be granted. An ageing analysis of the trade receivables, presented based on the invoice date at the end of the Reporting Period, is as follows:

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
0-30 days	29,565	9,719
31-90 days	7,622	19,030
Over 90 days	<u>2,499</u>	<u>713</u>
	<u>39,686</u>	<u>29,462</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

As at 30 September 2022, the management of the Group closely monitors the credit quality of trade receivables and the balance of past due 90 days or more of HK\$2,499,000 (2021: HK\$713,000) is not considered as in default based on historical settlement pattern for those debtors and continued business with the Group.

14. TRADE AND OTHER PAYABLES

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	64,330	44,627
Retention payables – amount payable within one year	14,010	9,880
Retention payables – amount payable after one year	568	3,387
Accrued charges	8,660	7,201
Other payables	158	127
	<u>87,726</u>	<u>65,222</u>

The credit period granted to the Group by suppliers and subcontractors is 30 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the Reporting Period:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0-30 days	27,802	32,117
31-60 days	7,622	3,704
61-90 days	10,536	3,884
Over 90 days	18,370	4,922
	<u>64,330</u>	<u>44,627</u>
Total	<u>64,330</u>	<u>44,627</u>

15. BANK BORROWINGS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Bank loans	144,417	117,701
Bank overdrafts	<u>4,928</u>	<u>19</u>
	<u>149,345</u>	<u>117,720</u>
Carrying amounts repayable based on scheduled repayment dates set out in loan agreements:		
– On demand or within one year	138,548	110,706
– More than one year, but not exceeding two years	1,608	1,604
– More than two years, but not exceeding five years	<u>9,189</u>	<u>5,410</u>
	<u>149,345</u>	<u>117,720</u>
Less: Carrying amount of bank borrowings that are repayable on demand or contain a repayment on demand clause and shown under current liabilities	<u>(149,345)</u>	<u>(117,720)</u>
	<u>–</u>	<u>–</u>

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Variable-rate bank loans comprise:		
Secured bank loans (<i>note (a)</i>)		
– HK\$ bank loans at Hong Kong Interbank Offered Rate (“ HIBOR ”) plus 2.50% to 2.75% (31 March 2022: HIBOR plus 2.50% to 2.75%) per annum	120,853	97,610
Unsecured bank loan (<i>note (b)</i>)		
– HK\$ bank loan at HIBOR plus 2.75%(31 March 2022: HIBOR plus 2.75%) per annum	10,000	10,000
– HK\$ bank loan at Prime Rate less 2.25% (31 March 2022: Prime Rate less 2.25%) per annum	13,564	10,091
	23,564	20,091
Secured bank overdrafts (<i>note (a)</i>)		
– HK\$ bank overdrafts at Prime Rate less 1.25% (31 March 2022: Prime Rate less 1.25%) per annum	4,928	19
	149,345	117,720
	149,345	117,720

As at 30 September 2022 and 31 March 2022, the HIBOR and Prime Rate are quoted by the lending banks.

Notes:

- (a) As at 30 September 2022, the secured bank loans of HK\$120,853,000 (31 March 2022: HK\$97,610,000) and bank overdrafts of HK\$4,928,000 (31 March 2022: HK\$19,000) are secured by the pledge bank deposits of HK\$27,426,000 (31 March 2022: HK\$27,412,000), trade receivables of HK\$23,192,000 (31 March 2022: HK\$11,958,000), contract assets of HK\$21,277,000 (31 March 2022: HK\$15,263,000) on a full recourse basis, financial assets at fair value through profit or loss of HK\$9,906,000 (31 March 2022: HK\$9,906,000) and guaranteed by corporate guarantees of the Company and a PRC subsidiary.

In addition to the pledge of assets and guarantee disclosed above, included in the secured bank loans are bank loans of HK\$109,858,000 (31 March 2022: HK\$86,618,000) which are also secured by properties held by a director of the Company and companies controlled by a director of the Company or his close family members.

The secured bank loans carry effective interest rates ranging from 4.79% to 5.04% (31 March 2022: 2.77% to 3.02%) per annum.

The bank overdrafts carry effective interest rates at 4.13% (31 March 2022: 4.00%) per annum.

- (b) As at 30 September 2022, the unsecured bank loans are guaranteed by HKMC Insurance Limited under SME Financing Guarantee Scheme and personal guarantees given by Mr. Yu and Mr. Chow, directors of the Company. The unsecured bank loans carry effective interest rates ranging from 2.88% to 5.04% (31 March 2022: 2.75% to 3.02%) per annum.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2022 (Audited) and 30 September 2022 (Unaudited) (HK\$0.01 each)	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 31 March 2022 (Audited) and 30 September 2022 (Unaudited) (HK\$0.01 each)	<u>800,000</u>	<u>8,000</u>

All issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 15, net of cash and cash equivalents and equity of the Group, comprising issued share capital and reserves. Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issue of new shares, raise of new borrowings or repayment of existing borrowings.

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 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Surety bond issued in favour of customers	<u>12,088</u>	<u>16,921</u>

18. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Six months ended 30 September 2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Salaries and other short-term benefits	2,586	2,460
Retirement benefits scheme contribution	<u>18</u>	<u>18</u>
	<u>2,604</u>	<u>2,478</u>

As at 30 September 2022, 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\$109,858,000 (31 March 2022: HK\$86,618,000) out of total secured bank loans of HK\$120,853,000 (31 March 2022: HK\$97,610,000). No property was pledged to secure surety bonds (31 March 2022: HK\$4,833,000) given by bank as at 30 September 2022 as disclosed in note 17.

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 2022, the Group had eight projects in progress with a total original contract sum of approximately HK\$504.8 million, of which approximately HK\$95.6 million was recognised as revenue during the Reporting Period.

During the Reporting Period, we were awarded two projects, with a total contract sum of approximately HK\$31.3 million. Letters of award of these two projects were signed and all these two projects are now at the commencement stage.

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 forecast completions in 2022 and 2023 are 22,851 new units and 21,848 new units respectively.

Another driver for the façade and curtain wall works industry is office buildings in Hong Kong. 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. According to The Hong Kong Property Review 2022 compiled by the Rating and Valuation Department, office completions in 2021 slightly rose to 69,600 m². Completions are expected to increase to 350,200 m² in 2022 and then retreat to 256,600 m² in 2023. In 2022, new Grade A completions will account for 282,300 m², with Kowloon City, Kwun Tong and the Eastern district contributing respectively 27%, 24% and 21% of the anticipated supply. Grade A completions in 2023 will be 229,500 m², with Sham Shui Po accounting for 42% of the forecast completions.

Notwithstanding the negative impact from the economic slowdown driven by the global 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.

The Group considers that the recent outbreak of the COVID-19 will affect our business and the Group is actively updating its project status with its customers. The Board will continue to assess the potential impact of the outbreak on the Group's operation and will closely monitor the Group's exposure to relevant risks and uncertainties.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$3.1 million or 1.9% from approximately HK\$166.5 million for the six months ended 30 September 2021 to approximately HK\$169.6 million for the six months ended 30 September 2022. Such increase was mainly attributable to the contribution from several sizable projects.

Cost of Services

The Group's cost of services primarily consisted of building material costs, subcontracting charges, staff costs and other direct costs. The cost of services increased to approximately HK\$162.6 million for the six months ended 30 September 2022 from approximately HK\$157.4 million for the six months ended 30 September 2021, representing an increase of approximately 3.3%. The increase was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$2.1 million from approximately HK\$9.1 million for the six months ended 30 September 2021 to approximately HK\$7.0 million for the six months ended 30 September 2022. The Group's gross profit margin decreased from approximately 5.5% for the six months ended 30 September 2021 to approximately 4.1% for the six months ended 30 September 2022, representing a decrease of approximately 1.4 percentage points. The decrease was mainly attributable to the additional subcontracting costs incurred when carrying out certain projects.

Other Income, Gains and Losses

Other income, gains and losses increased by approximately HK\$1.5 million for the six months ended 30 September 2022. Such change was mainly attributable to the receipt of subsidies granted to the Group under the Employment Support Scheme launched by the Hong Kong SAR Government for the six months ended 30 September 2022.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$0.2 million from approximately HK\$4.9 million for the six months ended 30 September 2021 to approximately HK\$4.7 million for the six months ended 30 September 2022. The decrease was mainly attributable to the decrease in staff costs of approximately HK\$0.4 million and the increase in legal and professional fee of approximately HK\$0.2 million.

Finance Costs

Finance costs increased from approximately HK\$1.9 million for the six months ended 30 September 2021 to approximately HK\$2.5 million for the six months ended 30 September 2022. The increase in finance costs was mainly attributable to the increase in the average interest rate of the bank borrowings.

Taxation

The income tax expenses of the Group decreased by approximately HK\$0.3 million from approximately HK\$0.4 million for the six months ended 30 September 2021 to approximately HK\$0.1 million for the six months ended 30 September 2022.

Profit for the Period

Profit for the period decreased from approximately HK\$2.0 million for the six months ended 30 September 2021 to approximately HK\$1.2 million for the six months ended 30 September 2022. Such decrease was mainly attributable to the net result of: (i) the decrease in gross profit of approximately HK\$2.1 million; (ii) the increase in other income, gains and losses of approximately HK\$1.5 million; (iii) the increase in finance costs of approximately HK\$0.6 million; (iv) the decrease in taxation of approximately HK\$0.3 million; and (v) the decrease in administrative expenses of approximately HK\$0.2 million for the six months ended 30 September 2022.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 September 2022 was approximately HK\$12.9 million, increased by approximately HK\$0.4 million when compared with approximately HK\$12.5 million as at 31 March 2022. Such change was mainly attributable to the interim payments from our customers.

The pledged deposits, including both the non-current and current portions, as at 30 September 2022 and 31 March 2022 were approximately HK\$27.4 million respectively.

During the Reporting Period, the Group had outstanding borrowings of approximately HK\$138.5 million repayable within one year (as at 31 March 2022: HK\$110.7 million) and outstanding borrowings of approximately HK\$10.8 million repayable after one year (as at 31 March 2022: HK\$7.0 million). The Group's borrowings were denominated in HK\$. The amounts due are based on scheduled repayment dates set out in the loan agreements. For information about the interest rate, please refer to note 15 to the condensed consolidated financial statements for this announcement.

The current ratio of the Group decreased from approximately 1.3 as at 31 March 2022 to approximately 1.2 as at 30 September 2022. 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 53.0% to approximately 60.8% as at 31 March 2022 and 30 September 2022, 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 2022, 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 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 2022, the Group's bank deposits with carrying amounts of approximately HK\$27.4 million (31 March 2022: HK\$27.4 million), invoices issued to customers with total amount of approximately HK\$44.5 million (31 March 2022: HK\$27.2 million) and the financial assets at fair value through profit or loss of approximately HK\$9.9 million (31 March 2022: HK\$9.9 million) were pledged to secure certain letters of guarantee facility and banking facilities respectively, granted to the Group. The pledged cash deposit of HK\$4.4 million (31 March 2022: HK\$4.4 million) was pledged to a third party to secure the performance guarantee granted by the third party of HK\$12.1 million (31 March 2022: HK\$12.1 million).

As at 30 September 2022, Mr. Yu Lap On Stephen ("**Mr. Yu**") and two companies controlled by Mr. Chow Mo Lam ("**Mr. Chow**") or his closed 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 30 September 2022 and 31 March 2022, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group provides guarantees in respect of the surety bonds in favour of customers of certain construction contracts. Details regarding these guarantees are set out in note 17 to the condensed consolidated financial statements of this announcement. Save as disclosed herein, there is no other contingent liabilities that the Group is aware of.

EVENT AFTER THE REPORTING PERIOD

After the Reporting Period and up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors.

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 this announcement, the Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 30 September 2022.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

The majority of the Group's businesses are in Hong Kong and are denominated in HK\$, RMB and United States Dollars ("USD"). 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 2022, the Group had 117 (31 March 2022: 117) employees. Total staff costs (including Directors' emoluments) were approximately HK\$26.4 million (for the six months ended 30 September 2021: HK\$23.4 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 Reporting 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 the Group facing, please refer to the section headed “Risk Factors” in the Prospectus dated 31 January 2018 (the “**Prospectus**”).

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

As at 30 September 2022, the interests or short positions of the Directors and the chief executives 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 which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock 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 C.N.Y. Holdings Limited, 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 C.N.Y. Holdings Limited. Each of Mr. Chow, Mr. Yu and C.N.Y. Holdings Limited is regarded as a Controlling Shareholder.

(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 C.N.Y. Holdings Limited, 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 the executive Directors. By virtue of the SFO, Mr. Chow is deemed to be interested in the 600,000,000 Shares held by C.N.Y. Holdings Limited. Each of Mr. Chow, Mr. Yu and C.N.Y. Holdings Limited is regarded as a Controlling Shareholder.

Save as disclosed above, as at 30 September 2022, 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 2022.

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 2022, so far as it was known to any Directors or chief executives of the Company, the interests which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or of whom 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 Director	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:

1. 600,000,000 Shares are directly held by C.N.Y. Holdings Limited, 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 C.N.Y. Holdings Limited. Each of Mr. Chow, Mr. Yu and C.N.Y. Holdings Limited is regarded as a Controlling Shareholder.
2. 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 2022, 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 BUSINESSES

For the six months ended 30 September 2022 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 for the six months ended 30 September 2022.

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 2022, no share option had been granted.

CORPORATE GOVERNANCE

As at 30 September 2022 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 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

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 code provision D.3.3 of the CG Code. The written terms of reference of the Audit Committee was revised on 12 November 2018. The Audit Committee comprises three independent non-executive Directors: Dr. Lung Cheuk Wah, Mr. Man Yun Yee 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 2022 and this interim announcement and is of the view that such statements and announcement 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, 8 November 2022

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. Man Yun Yee and Mr. Wong Chi Yung.

This announcement will remain on the “Latest Listed Company Announcements” page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the date of its posting and on the website of the Company at www.polyfaircurtainwall.com.hk.