POLYFAIR

Polyfair Holdings Limited
寶發控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8532)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

ANNUAL RESULTS

The board (the "**Board**") of Directors is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*4*	**271,841**	109,607
Cost of services		**(234,368)**	(90,056)
Gross profit		**37,473**	19,551
Other income, gain and loss	*5*	**1**	148
Administrative expenses		**(11,820)**	(6,290)
Finance costs	*6*	**(3,034)**	(1,142)
Other expenses		**(14,536)**	(2,800)
Profit before taxation	*7*	**8,084**	9,467
Taxation	*8*	**(3,915)**	(2,285)
Profit for the year		**4,169**	7,182
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		**100**	–
Other comprehensive income for the year		**100**	–
Total comprehensive income for the year		**4,269**	7,182
Earnings per share – basic	*10*	**HK cents 0.67**	HK cents 1.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**1,569**	649
Deposits		**413**	–
Payments for life insurance policies		**8,379**	–
Pledged bank deposit		**25,000**	–
		35,361	649
Current assets			
Amounts receivable on contract work	*11*	**83,148**	58,930
Progress payments receivable	*12*	**17,848**	3,354
Retention money receivable	*13*	**22,906**	7,191
Prepayments, deposits and other receivables		**5,165**	7,914
Tax recoverable		**–**	900
Pledged bank deposits		**7,001**	2,001
Bank balances and cash		**64,313**	9,465
		200,381	89,755
Current liabilities			
Trade and other payables	*14*	**47,925**	21,836
Amount due to a director		**–**	7,055
Tax payable		**827**	–
Bank borrowings	*15*	**117,192**	41,899
		165,944	70,790
Net current assets		**34,437**	18,965
Net assets		**69,798**	19,614
Capital and reserves			
Share capital		**8,000**	3,000
Reserves		**61,798**	16,614
Total equity		**69,798**	19,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000* *(Note)*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 April 2016	3,000	–	–	–	9,432	12,432
Profit and total comprehensive income for the year	–	–	–	–	7,182	7,182
At 31 March 2017	3,000	–	–	–	16,614	19,614
Profit for the year	–	–	–	–	4,169	4,169
Other comprehensive income for the year	–	–	–	100	–	100
Total comprehensive income for the year	–	–	–	100	4,169	4,269
Effect of reorganisation	(3,000)	–	3,000	–	–	–
Issue of new shares	2,000	54,000	–	–	–	56,000
Capitalisation issue	6,000	(6,000)	–	–	–	–
Share issuance costs	–	(10,085)	–	–	–	(10,085)
At 31 March 2018	8,000	37,915	3,000	100	20,783	69,798

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

1A. GENERAL

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 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 functional currency of the Company is Hong Kong dollars ("**HK$**"), which is also the presentation currency of the Company and its subsidiaries.

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

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

(i) On 21 April 2017, CNY was incorporated in the BVI with limited liability, allotted and issued 83 and 17 shares, credited as fully paid at a par value of one United States dollar ("**US$**"), to Mr. Chow and Mr. Yu, respectively.

(ii) On 25 May 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK$380,000 divided into 38,000,000 shares of HK$0.01 each ("**Shares**", each a "**Share**") and initially one nil-paid Share was allotted and issued at par to Sharon Pierson as the initial subscriber (who is an independent third party), which was then transferred to CNY on the same date, and additional 99 nil-paid Shares were allotted and issued at par to CNY on the same date.

(iii) On 8 June 2017, Polyfair Group Limited ("**Polyfair BVI**") was incorporated in the BVI with limited liability, allotted and issued one share, credited as fully paid at a par value of US$1 to the Company.

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

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

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity which include the results and changes in equity of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence since 1 April 2016, or since their respective dates of incorporation, whichever is the shorter period. The consolidated statement of financial position of the Group as at 31 March 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are effective for annual accounting periods beginning on 1 April 2017 throughout the year.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual period beginning on or after 1 January 2021.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

Payments of life insurance policies will be classified as financial assets at fair value through profit or loss as those payments have contracted rights to cash flows that do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon the application of HKFRS 9, these financial assets will be measured at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss, where any fair value gains or losses relating to these financial assets upon initial application would be adjusted to the opening retained profits as at 1 April 2018.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would have no significant change as compared to the accumulated amount recognised under HKAS 39.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors consider that the performance obligation from provision of construction contract work will be satisfied over time and accordingly the revenue will be recognised in same manner. There are two methods that can be used to measure an entity's progress towards complete satisfaction of a performance obligation satisfied over time, include output and input methods.

After assessment, the Group will use input method in measuring the percentage of completion when applying HKFRS 15. When applying input method, the Group would consider if there is any adjustment required to the input method for uninstalled materials, to ensure that the input method meets the objective of measuring progress towards complete satisfaction of a performance obligation. With reference to the past practice, the Directors expect that the Group will not hold significant amount of uninstalled material based on the existing operating model. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$3,962,000 in which HK$2,863,000 had original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$490,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except for the above, the Directors anticipate that the application of the other new or amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the future.

3. BASIS OF PREPARATION

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

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

4. REVENUE AND SEGMENT INFORMATION

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

The Group's operating activities are attributable to a single operating segment focusing on provision of construction contract work. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRSs, that are regularly reviewed by the chief operating decision maker ("**CODM**") (i.e. being executive Directors). 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 is available for the assessment of performance.

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

	2018	2017
	HK$'000	*HK$'000*
Residential properties	**261,272**	85,843
Commercial properties	**10,569**	23,764
	271,841	109,607

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

The assets of the Group are mainly located in Hong Kong.

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**N/A[4]**	11,844
Customer B[2]	**45,635**	N/A[4]
Customer C[3]	**42,464**	37,381
Customer D[3]	**121,017**	27,892

1 Revenue from commercial properties
2 Revenue from commercial properties and residential properties
3 Revenue from residential properties
4 Revenue from this customer was less than 10% of the total revenue for the year.

5. OTHER INCOME, GAIN AND LOSS

	2018	2017
	HK$'000	*HK$'000*
Interest income	**155**	5
Exchange (loss) gain	**(154)**	143
	1	148

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and bank overdrafts	**3,034**	1,142

7. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**5,746**	3,458
Other staff costs	**24,046**	9,703
Retirement benefit schemes contributions for other staff	**1,768**	345
Total staff costs	**31,560**	13,506
Auditor's remuneration	**1,000**	600
Depreciation of property, plant and equipment	**205**	42
Operating lease rentals in respect of rented premises	**1,517**	612
Listing expenses (included in other expenses)	**14,536**	2,750
Tax penalty *(note)*	**–**	50

Note:

On 1 June 2017, the Group received a notice issued by the Inland Revenue Department informing the Group of its intention to assess additional tax given under Section 82A(4) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) due to late profits tax filing for the year of assessment 2015/16. On 8 September 2017, the Group received a notification issued by the Inland Revenue Department informing the Group the additional tax by way of penalty under Section 82A(4) of the Inland Revenue Ordinance in the sum of HK$50,000. A provision of HK$50,000, being the penalty in connection to the above matter, was accrued during the year ended 31 March 2017 and included in the other expenses.

8. TAXATION

	2018	2017
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax		
Hong Kong Profits Tax	**3,910**	2,285
People's Republic of China (the "**PRC**") Enterprise Income Tax	**5**	–
	3,915	2,285

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiary in the PRC is 25%.

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. During the year ended 31 March 2017, Polyfair HK paid a dividend of HK$700,000 which was declared and proposed in previous years.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018.

10. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**4,169**	7,182

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(note)*	**620,273,973**	600,000,000

Diluted earnings per share are not presented as there were no potential ordinary shares in issue during both years.

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue of ordinary share had been effective on 1 April 2016.

11. AMOUNTS RECEIVABLE ON CONTRACT WORK

	2018	2017
	HK$'000	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	**540,929**	269,653
Less: Progress billings	**(457,781)**	(210,723)
	83,148	58,930
Analysed for reporting purposes as:		
Amounts receivable on contract work	**83,148**	58,930

12. PROGRESS PAYMENTS RECEIVABLE

Progress payments receivable represents 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 progress payments receivable is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**9,884**	–
31 to 90 days	**4,309**	913
Over 90 days	**3,655**	2,441
	17,848	3,354

The management of the Group closely monitors the credit quality of progress payments receivable. All of the progress payments receivable as at 31 March 2018, 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 receivable balance with aggregate carrying amount of HK$3,655,000 (2017: HK$3,354,000) at 31 March 2018 which is past due for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**–**	–
31 to 90 days	**–**	913
Over 90 days	**3,655**	2,441
	3,655	3,354

The management of the Group believes that no impairment allowance is necessary as there has not been a significant change in credit quality of these customers and the balances are considered fully recoverable.

13. RETENTION MONEY RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Amounts receivable within one year	**7,295**	6,502
Amounts receivable after one year	**15,611**	689
	22,906	7,191

As at 31 March 2018, the Group's retention money receivable of HK$17,519,000 (2017: HK$5,922,000) is not yet past due and the remaining balance of HK$5,387,000 (2017: HK$1,269,000) is past due, of which HK$1,599,000 (2017: HK$171,000) is past due for over one year. The Group does not hold any collateral over these balances. Management of the Group believes that no impairment allowance is necessary as there has been no significant change in credit quality of these customers and the balances are considered fully recoverable.

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**34,947**	14,836
Retention payables – amount payable within one year	**3,600**	2,772
Retention payables – amount payable after one year	**2,740**	542
Accrued charges	**5,585**	2,186
Other payable	**426**	–
Receipt in advance	**627**	1,500
	47,925	21,836

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**27,592**	10,392
31 to 60 days	**7,031**	3,013
61 to 90 days	**240**	989
Over 90 days	**84**	442
	34,947	14,836

15. BANK BORROWINGS

	2018 *HK$'000*	2017 *HK$'000*
Bank loans	**109,321**	37,909
Bank overdrafts	**7,871**	3,990
	117,192	41,899
Bank borrowings with carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
– within one year	**110,203**	32,982
– between one to two years	**4,089**	4,381
– between two to five years	**2,900**	4,498
– after five years	**–**	38
	117,192	41,899
Comprising:		
Amount due within one year shown under current liabilities	**110,203**	32,982
Amount that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause	**6,989**	8,917
	117,192	41,899

As at 31 March 2018, the Group's bank loans carry interests at Prime Rate less 2.00% to 2.50% per annum and Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.00% to 3.25% per annum (2017: Prime Rate less 1.00% to 2.75% per annum, Hong Kong Dollar Best Lending Rate of Chinatrust Commercial Bank Limited ("**BLR**") less 4.60% per annum and HIBOR plus 1.70% to 3.25% per annum), with effective interest rates ranging from 2.25% to 4.04% (2017: 2.15% to 4.25%) per annum.

As at 31 March 2018, the unsecured and guaranteed bank borrowings of HK$7,967,000 (2017: HK$14,823,000) are 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.

As at 31 March 2018, the secured and guaranteed bank borrowings of HK$109,225,000 (2017: HK$27,076,000) are secured by the pledged bank deposits of HK$32,001,000 (2017: HK$2,001,000), invoices issued to customers with total amount of HK$24,034,000 (2017: HK$157,000) and the payments for the life insurance policies of HK$8,613,000 (2017: nil). These bank borrowings as at 31 March 2017 were further secured by properties held by a director of the Company and the companies controlled by a director of the Company or his close family members and personal guarantees provided by directors of the Company, where these securities and guarantees were replaced by the corporate guarantee provided by the Company as at 31 March 2018.

As at 31 March 2018, bank overdrafts carry interests at Prime Rate less 1.15% per annum and Prime Rate less 1.80% (2017: Prime Rate less 1.80%), with an effective interest rate ranging from 3.45% to 4.10% (2017: 3.45%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As at 31 March 2018, the Group had 10 projects in progress with a total original contract sum of approximately HK$566.4 million. Total revenue of approximately HK$271.8 million was recognised during the Reporting Period.

During the second half of the Reporting Period, we were awarded three new projects, namely Yue Man Square, Wing Kin Road and Yeung Uk Road, with a total contract sum of approximately HK$206.8 million. Letter of Award of these three projects were signed and all these three 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 number grew from 10,149 new units in 2012 to 17,791 new units in 2017.

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 2018 compiled by the Rating and Valuation Department, completions of Grade A offices were 185,900 m^2, a hoist of 31% from 2016. Majority of the new developments were come from Kwun Tong and Yau Tsim Mong, contributing 55% 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.

Finally, it is expected that several of the Hong Kong Government's "Ten Mega Infrastructure Projects" will make use of façade and curtain wall works, such as the Kai Tak Cruise Terminal which was commissioned in 2013 and the ongoing construction of the Hong Kong Children's Hospital. We are hoping to be more competitive and able to compete for more sizeable and profitable projects.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2018 was approximately HK$271.8 million (2017: approximately HK$109.6 million), representing an increase of 148.0% compared to the previous year. Such increase was mainly due to the reasons that (i) the four projects commenced in the second and third quarter of the year ended 31 March 2017 contributed a substantial portion of revenue for the year ended 31 March 2018; (ii) the project at Argyle Street which the main contractor's work schedule was delayed for the year ended 31 March 2017 has contributed a substantial portion of revenue for the year ended 31 March 2018; and (iii) three new projects have been started during the Reporting Period.

Cost of Sales

Our 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$234.4 million for the year ended 31 March 2018 from approximately HK$90.1 million for the year ended 31 March 2017, representing an increase of approximately 160.2%. The Group's cost of sales increased along with the growth in revenue for the year ended 31 March 2018.

Gross Profit and Gross Profit Margin

Our Group's gross profit increased by approximately HK$17.9 million from approximately HK$19.6 million for the year ended 31 March 2017 to approximately HK$37.5 million for the year ended 31 March 2018. Our Group's gross profit margin decreased from approximately 17.9% for the year ended 31 March 2017 to approximately 13.8% for the year ended 31 March 2018, representing a decrease of approximately 4.1%. The decrease was a result of the change in the mix of building type.

Other Income, Gain and Loss

Other income, gain and loss decreased by approximately HK$0.1 million for the year ended 31 March 2018 mainly due to the decrease in exchange difference, which arose from settlement of RMB.

Administrative Expenses

Administrative expenses of our Group increased by approximately HK$5.5 million from approximately HK$6.3 million for the year ended 31 March 2017 to approximately HK$11.8 million for the year ended 31 March 2018. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation, legal and professional fee, rental expenses and other administrative expenses. The increase was mainly attributed to (i) increase in legal and professional fee of approximately HK$1.8 million; (ii) increase in audit fee of approximately HK$0.4 million; (iii) increase in rental expenses of approximately HK$0.3 million for new Hong Kong office and Shenzhen offices; and (iv) increase in staff costs paid to directors and staff of approximately HK$3.7 million due to increase in number of staff and salary level during the year.

Other Expenses

Other expenses increased by approximately HK$11.7 million from approximately HK$2.8 million for the year ended 31 March 2017 to approximately HK$14.5 million for the year ended 31 March 2018. The increase was mainly attributable to the increase in listing expenses of approximately HK$11.8 million for the year ended 31 March 2018, which was one-off in nature.

Finance Costs

Finance costs increased from approximately HK$1.1 million for the year ended 31 March 2017 to approximately HK$3.0 million for the year ended 31 March 2018. The increase in finance costs was mainly attributed to the increase in bank borrowings to finance our business.

Taxation

Our income tax expenses increased by approximately HK$1.6 million from approximately HK$2.3 million for the year ended 31 March 2017 to approximately HK$3.9 million for the year ended 31 March 2018. The increase was mainly due to the increase in profit before taxation when excluding the effect of listing expenses of approximately HK$14.5 million during the Reporting Period, which was non-deductible.

Profit for the Year

Profit for the year decreased by approximately HK$3.0 million from approximately HK$7.2 million for the year ended 31 March 2017 to approximately HK$4.2 million for the year ended 31 March 2018.

Such decrease was primarily attributable to the listing expenses incurred by our Group for the Listing. Excluding the non-recurring listing expenses of our Group of approximately HK$14.5 million, profit for the year would reach approximately HK$18.7 million, representing an increase of approximately HK$11.5 million or 159.7% compared to the year ended 31 March 2017.

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 section headed "Use of Proceeds" on pages 20 of this announcement.

Except for the proceeds raised from the Listing, the Group's capital expenditure and daily operations during the year ended 31 March 2018 were mainly funded by cash generated from its operations and external borrowings.

Cash and bank balances as at 31 March 2018 was approximately HK$64.3 million, increased by approximately HK$54.8 million when compared with HK$9.5 million as at 31 March 2017. The increase was mainly due to the net proceed of HK$38.8 million from the Listing after deducting certain outstanding listing expenses and HK$4.9 million, which was used in the same manner as stated in the paragraph headed "**Use of Proceeds**" in the prospectus of the Company dated 31 January 2018 (the "**Prospectus**"). The remaining was attributed by the interim payments from our customers.

The pledged deposits, including both the non-current and current portions, as at 31 March 2018 was approximately HK$32.0 million, increased by approximately HK$30.0 million when compared with HK$2.0 million as at 31 March 2017, as a result of satisfying the requirements when renewing the banking facilities.

As at 31 March 2018, the Group had outstanding borrowings of approximately HK$110.2 million repayable within one year (2017: HK$33.0 million) and outstanding borrowings of approximately HK$7.0 million repayable after one year (2017: HK$8.9 million). The Group's borrowings were denominated in HK$.

The current ratio of our Group as at 31 March 2018 was 1.2 times as compared to that of 1.3 times as at 31 March 2017. The gearing ratio, being the total debt (including bank borrowings and amount due to a director) divided by total equity at the end of the year, decreased from approximately 249.6% to approximately 167.9% as at 31 March 2017 and 31 March 2018, respectively.

CAPITAL STRUCTURE

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

As at 31 March 2018, the Company's issued share capital was HK$8 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 up to the Reporting Period, the Group did not have other plans for material investments or capital assets.

PLEDGE OF ASSETS

As at 31 March 2018, the Group's bank deposits with carrying amounts of approximately HK$32.0 million (2017: HK$2.0 million) and certain assets were pledged to secure certain letter of guarantee facility and banking facilities, respectively, granted to the Group.

CAPITAL COMMITMENTS

As at 31 March 2018 and 2017, the Group did not have any significant capital commitments.

OPERATING LEASE COMMITMENTS

The Group's operating lease commitments are primarily related to the leases of its office and amounted to approximately HK$4.0 million and HK$2.0 million as at 31 March 2018 and 2017, respectively.

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:

	2018	2017
	HK$ million	*HK$ million*
Surety bond issued in favour of a customer	**8.2**	–

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the Reporting Period. Saved as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 March 2018.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 89 (2017: 65) employees. Total staff cost (including Directors' emoluments) were approximately HK$31.6 million (2017: HK$13.5 million). The remuneration package offered to our employees generally included basic salaries, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. Our Group conducts annual review on salary increase and promotions based on the performance of each employee. Our Group provides on-the-job training to our employees and sponsors certain employees to attend training courses.

SHARE OPTION SCHEME

The Group had adopted a share option scheme for the purpose of providing incentives and rewards to participants for the contribution of the Group. Up to 31 March 2018, no share option had been granted.

COMPLIANCE WITH LAWS AND REGULATIONS

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

PRINCIPAL RISK AND UNCERTAINTIES

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

– Changes in the cost of building materials and staff as well as the subcontracting fees may result in cost overrun, which could materially affect our results of operation and financial performance;

– Our Group may face difficulties in refinancing or increase in cost of financing;

– Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;

– Cash flow of our projects may fluctuate;

– We rely on subcontractors to complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation; and

– Our success significantly depends on the key management and our ability to attract and retain additional façade and curtain wall design team staff.

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

USE OF PROCEEDS

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

As of 31 March 2018, the net proceeds from the share offer had been applied as follows:

	Actual amount used as of 31 March 2018 *(HK$' million)*
Strengthening our financial position to capture emerging business opportunities:	
– Settling upfront costs of new projects	3.9
Expanding our operation teams	0.4
General working capital	0.6
Total	**4.9**

CORPORATE GOVERNANCE

From the Listing Date 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 period from the Listing Date to 31 March 2018, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

For the year ended 31 March 2018, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard**"). Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the Required Standard during the period from the Listing Date to 31 March 2018.

AUDIT COMMITTEE

The Company established an audit committee of the Company (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 25 January 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and 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 Company's consolidated financial statements for the year ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 March 2018 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

EVENTS AFTER THE REPORTING DATE

As from 31 March 2018 to the date of this announcement, no significant events have occurred.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018 (2017: Nil).

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming AGM of the Company will be held on Thursday, 23 August 2018 at 10:30 a.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Monday, 20 August 2018 to Thursday, 23 August 2018 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 August 2018.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

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

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

Hong Kong, 22 June 2018

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.