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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 2023

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 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2022 as follows:

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

For the six months ended 30 September 2023

		Six months ended 30 September	
	NOTES	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	186,471	169,577
Cost of services		<u>(175,405)</u>	<u>(162,615)</u>
Gross profit		11,066	6,962
Interest revenue		265	14
Other income, gains and losses	5	235	1,631
Administrative expenses		<u>(4,957)</u>	<u>(4,667)</u>
Profit from operation			
Finance costs	6	<u>(5,522)</u>	<u>(2,549)</u>
Profit before tax		1,087	1,391
Income tax expenses	7	<u>(322)</u>	<u>(144)</u>
Profit for the period	8	<u>765</u>	<u>1,247</u>
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>15</u>	<u>78</u>
Other comprehensive income for the period, net of tax		<u>15</u>	<u>78</u>
Total comprehensive income for the period		<u>779</u>	<u>1,325</u>
Earnings per share	10		
Basic (HK cents)		<u>0.10</u>	<u>0.16</u>
Diluted (HK cents)		<u>0.10</u>	<u>0.16</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	<i>NOTES</i>	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Unaudited)
Non-current assets			
Property, plant and equipment	11	207	190
Right-of-use assets		2,259	3,011
Financial assets at fair value through profit or loss		12,321	12,321
Deferred tax assets		770	770
Deposits		–	4,400
		<u>15,557</u>	<u>20,692</u>
Current assets			
Trade receivables	13	93,043	28,795
Contract assets	12	171,848	190,166
Prepayments, deposits and other receivables		31,252	32,664
Tax recoverable		–	165
Pledged bank balances		36,300	36,035
Bank balances and cash		12,724	14,527
		<u>345,167</u>	<u>302,352</u>
Current liabilities			
Trade and other payables	14	103,229	78,626
Tax payable		158	–
Bank borrowings	15	157,217	169,373
Lease liabilities		740	1,472
		<u>261,344</u>	<u>249,472</u>
Net current assets		<u>83,823</u>	<u>52,880</u>
Total assets less current liabilities		<u>99,380</u>	<u>78,573</u>
Non-current liabilities			
Other borrowings		25,027	5,000
Lease liabilities		1,539	1,539
		<u>26,566</u>	<u>6,539</u>
Net assets		<u>72,814</u>	<u>72,034</u>
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		64,814	64,034
Total equity		<u>72,814</u>	<u>72,034</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	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 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>
At 1 April 2023 (Audited)	8,000	37,915	3,000	29	23,090	72,034
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>15</u>	<u>765</u>	<u>780</u>
At 30 September 2023 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>44</u>	<u>23,855</u>	<u>72,814</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 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before taxation	1,087	1,391
Adjustment for:		
Depreciation of property, plant and equipment	46	97
Depreciation of right-of-use assets	753	817
Finance costs	5,522	2,549
Interest income	(265)	(14)
	<hr/>	<hr/>
Operating profit before working capital changes	7,143	4,840
Change in trade receivables	(64,249)	(10,224)
Change in prepayments, deposits and other receivables	5,805	(9,065)
Change in contract assets	18,318	(35,939)
Change in trade and other payables	27,295	22,598
Change in contract liabilities	23,175	–
	<hr/>	<hr/>
Cash used in operations	17,487	(27,790)
Income taxes paid	(757)	–
	<hr/>	<hr/>
Net cash used in operating activities	16,730	(27,790)
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	265	14
Purchase of property, plant and equipment	(68)	(24)
Placement of pledged bank balances	(265)	(14)
	<hr/>	<hr/>
Net cash used in investing activities	(68)	(24)
	<hr/>	<hr/>

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Interest paid	(5,522)	(2,549)
New bank borrowings raised	474,852	222,498
Repayment of bank borrowings	(487,008)	(190,873)
Repayment of lease liabilities	(732)	(868)
	<u>(18,410)</u>	<u>28,208</u>
Net cash generated from financing activities		
	<u>(18,410)</u>	<u>28,208</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,747)	394
Effect of foreign exchange rate changes	(57)	(10)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	14,527	12,499
	<u>14,527</u>	<u>12,499</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,724	12,883
	<u>12,724</u>	<u>12,883</u>
Analysis of cash and cash equivalents		
Bank balances and cash	12,724	12,883
	<u>12,724</u>	<u>12,883</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023 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 2023 are consistent with those adopted in the annual report for the year ended 31 March 2023, 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 2023 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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2023.

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 17	Insurance Contracts
HKAS 1 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction services for residential properties	146,796	96,510
Construction services for commercial properties	39,675	73,067
	<u>186,471</u>	<u>169,577</u>
Revenue from contracts with customers	<u>186,471</u>	<u>169,577</u>

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 2023 and 2022.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	100,315	67,307
Customer B	31,611	6,104*
Customer C	19,377	1,415*
Customer D	15,186*	39,806
	<u>15,186*</u>	<u>39,806</u>

* 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange gains	235	104
Government subsidy	–	1,527
	<u>235</u>	<u>1,631</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and bank overdrafts	5,464	2,526
Interest on lease liabilities	58	23
	<u>5,522</u>	<u>2,549</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax:		
– Provision for the period	322	144
	<u>322</u>	<u>144</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 2023 and 2022.

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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The Group's profit for the period is stated after charging the following:		
Directors' remuneration	3,004	2,941
Other staff costs:		
Salaries and other benefits	23,214	21,864
Retirement benefit schemes contributions	1,354	1,588
Total staff costs*	27,572	26,393
Auditor's remuneration	295	293
Depreciation of property, plant and equipment	46	97
Depreciation of right-of-use assets	753	817
Short-term lease rentals in respect of rented premises	201	214

* The staff costs were expensed in direct costs and administrative expenses amounting to HK\$25,256,000 (2022: HK\$23,608,000) and HK\$2,315,000 (2022: HK\$2,785,000) respectively.

9. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the six months ended 30 September 2023 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 2023 (for the six months ended 30 September 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>765</u>	<u>1,247</u>

Number of shares

	Six months ended 30 September	
	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>800,000</u>	<u>800,000</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately HK\$63,200 (for the six months ended 30 September 2022: approximately HK\$24,000).

12. CONTRACT ASSETS

Disclosures of revenue-related items:

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Contract assets – construction	<u>171,848</u>	<u>190,166</u>
Contract receivable (included in trade receivables)	<u>93,043</u>	<u>28,795</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 2023 will be recognised as revenue during the period ending 30 September 2024 to 2026 (2022: the period ended 30 September 2023 to 2025).

A contract asset 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\$59,729,000 (2022: HK\$41,898,000) are included in contract assets as at 30 September 2023. 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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables	95,818	31,570
Less: allowance for bad and doubtful debts	<u>(2,775)</u>	<u>(2,775)</u>
	<u>93,043</u>	<u>28,795</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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
0-30 days	89,111	23,840
31-90 days	2,449	2,728
Over 90 days	<u>1,483</u>	<u>2,227</u>
	<u>93,043</u>	<u>28,795</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 2023, 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\$1,483,000 (2022: HK\$2,499,000) 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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	75,936	52,462
Retention payables – amount payable within one year	14,343	14,766
Retention payables – amount payable after one year	4,862	2,283
Accrued charges	7,998	7,148
Other payables	90	138
	<u>103,229</u>	<u>76,797</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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
0-30 days	31,434	20,352
31-60 days	7,572	7,114
61-90 days	9,310	5,556
Over 90 days	27,620	19,440
	<u>75,936</u>	<u>52,462</u>
Total	<u>75,936</u>	<u>52,462</u>

15. BANK BORROWINGS

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Bank loans	141,618	155,535
Bank overdrafts	8,699	4,938
Other borrowings	6,900	8,900
	<u>157,217</u>	<u>169,373</u>
Carrying amounts repayable based on scheduled repayment dates set out in loan agreements:		
– On demand or within one year	143,997	154,358
– More than one year, but not exceeding two years	4,049	4,024
– More than two years, but not exceeding five years	6,858	7,778
– More than five years	2,313	3,213
	<u>157,217</u>	<u>169,373</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>(152,375)</u>	<u>(164,373)</u>
	<u>4,842</u>	<u>5,000</u>

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (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	<u>120,799</u>	<u>133,514</u>
Unsecured bank loan (<i>note (b)</i>)		
– HK\$ bank loan at HIBOR plus 2.75% (31 March 2023: HIBOR plus 2.75%) per annum	10,000	10,000
– HK\$ bank loan at bank's lending Prime Rate (“ Prime Rate ”) less 2.25% to 2.5% (31 March 2023: Prime Rate less 2.25% to 2.5%) per annum	<u>10,819</u>	<u>12,021</u>
	<u>20,819</u>	<u>22,021</u>
Secured bank overdrafts (<i>note (a)</i>)		
– HK\$ bank overdrafts at Prime Rate less 1.15% to 1.25% (31 March 2023: Prime Rate less 1.15% to 1.25%) per annum	<u>8,699</u>	<u>4,938</u>
Unsecured other borrowings (<i>note (c)</i>)		
– 0.229% per month (31 March 2023: 0.229%)	<u>6,900</u>	<u>8,900</u>
	<u>157,217</u>	<u>169,373</u>

As at 30 September 2023 and 31 March 2023, the HIBOR and Prime Rate are quoted by the lending banks.

Notes:

- (a) As at 30 September 2023, the secured bank loans of HK\$120,799,000 (31 March 2023: HK\$133,514,000) and bank overdrafts of HK\$8,699,000 (31 March 2023: HK\$4,938,000) are secured by the pledge bank deposits of HK\$27,862,000 (31 March 2023: HK\$36,035,000), trade receivables of HK\$44,216,000 (31 March 2023: HK\$19,842,000), contract assets of HK\$36,076,000 (31 March 2023: HK\$21,332,000) on a full recourse basis, financial assets at fair value through profit or loss of HK\$12,321,000 (31 March 2023: HK\$12,321,000) 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\$111,215,000 (31 March 2023: HK\$123,823,000) 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 7.39% to 7.64% (31 March 2023: 5.71% to 5.96%) per annum.

The bank overdrafts carry effective interest rates at 4.98% (31 March 2023: 4.63%) per annum.

- (b) As at 30 September 2023, 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 3.50% to 7.64% (31 March 2023: 3.38% to 5.96%) per annum.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2023 (Audited) and 30 September 2023 (Unaudited) (HK\$0.01 each)	5,000,000	50,000
Issued and fully paid:		
At 31 March 2023 (Audited) and 30 September 2023 (Unaudited) (HK\$0.01 each)	800,000	8,000

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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Surety bond issued in favour of customers	–	12,088

18. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Six months ended 30 September 2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Salaries and other short-term benefits	2,650	2,586
Retirement benefits scheme contribution	9	18
	<u>2,659</u>	<u>2,604</u>

As at 30 September 2023, 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\$112,215,000 (31 March 2023: HK\$123,823,000) out of total secured bank loans of HK\$120,799,000 (31 March 2023: HK\$133,514,000). No property was pledged to secure surety bonds (31 March 2023: HK\$4,833,000) given by bank as at 30 September 2023 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 2023, the Group had six projects in progress with a total original contract sum of approximately HK\$527.5 million, of which approximately HK\$121.1 million was recognised as revenue during the Reporting Period.

During the Reporting Period, we were awarded one project, with a total contract sum of approximately HK\$239.1 million. Letters of award of this project was signed and this project is 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 2023 and 2024 are 19,953 new units and 26,970 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 2023 compiled by the Rating and Valuation Department, office completions in 2022 soared significantly to 351,300 m². Completions are expected to drop to 267,000 m² in 2023 and further to 105,700 m² in 2024. In 2023, new Grade A completions will account for 282,300 m², with Sham Shui Po and the Central and Western district contributing 38% and 25% of the anticipated supply respectively. Grade A completions in 2024 will account for 36,600 m², as Kwun Tong will contribute almost half 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.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$16.9 million or 10% from approximately HK\$169.6 million for the six months ended 30 September 2022 to approximately HK\$186.5 million for the six months ended 30 September 2023. Such increase was mainly attributable to the contribution from a sizable project.

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\$175.4 million for the six months ended 30 September 2023 from approximately HK\$162.6 million for the six months ended 30 September 2022, representing an increase of approximately 7.9%. The increase was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$4.1 million from approximately HK\$7.0 million for the six months ended 30 September 2022 to approximately HK\$11.1 million for the six months ended 30 September 2023. The Group's gross profit margin increased from approximately 4.1% for the six months ended 30 September 2022 to approximately 5.9% for the six months ended 30 September 2023, representing an increase of approximately 1.8 percentage points. The increase was mainly attributable to effective costs control on projects.

Other Income, Gains and Losses

Other income, gains and losses decreased by approximately HK\$1.4 million for the six months ended 30 September 2023. Such change was mainly attributable to the absence of subsidies under the Employment Support Scheme launched by the Hong Kong SAR Government for the six months ended 30 September 2023.

Administrative Expenses

Administrative expenses of the Group increased by approximately HK\$0.3 million from approximately HK\$4.7 million for the six months ended 30 September 2022 to approximately HK\$5.0 million for the six months ended 30 September 2023. The increase was mainly attributable to the increase in legal and professional fee of approximately HK\$0.4 million and the decrease in staff costs of approximately HK\$0.1 million.

Finance Costs

Finance costs increased from approximately HK\$2.5 million for the six months ended 30 September 2022 to approximately HK\$5.5 million for the six months ended 30 September 2023. 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 increased by approximately HK\$0.2 million from approximately HK\$0.1 million for the six months ended 30 September 2022 to approximately HK\$0.3 million for the six months ended 30 September 2023.

Profit for the Period

Profit for the period decreased from approximately HK\$1.3 million for the six months ended 30 September 2022 to approximately HK\$0.8 million for the six months ended 30 September 2023. Such decrease was mainly attributable to the net result of: (i) the increase in gross profit of approximately HK\$4.1 million; (ii) the increase in finance costs of approximately HK\$3.0 million; (iii) the decrease in other income, gains and losses of approximately HK\$1.4 million and (iv) the increase in taxation of approximately HK\$0.2 million for the six months ended 30 September 2023.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 September 2023 was approximately HK\$12.7 million, decreased by approximately HK\$1.8 million when compared with approximately HK\$14.5 million as at 31 March 2023. Such change was mainly attributable to the increase in cash used in daily operation.

The pledged deposits, including both the non-current and current portions, as at 30 September 2023 and 31 March 2023 were approximately HK\$27.9 million and HK\$36.0 million respectively.

During the Reporting Period, the Group had outstanding borrowings of approximately HK\$144.0 million repayable within one year (as at 31 March 2023: HK\$154.4 million) and outstanding borrowings of approximately HK\$13.2 million repayable after one year (as at 31 March 2023: HK\$15.0 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 were 1.2 as at 31 March 2023 and 30 September 2023. 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, decreased from approximately 62.3% to approximately 59.8% as at 31 March 2023 and 30 September 2023, 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 2023, 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 2023, the Group's bank deposits with carrying amounts of approximately HK\$27.9 million (31 March 2023: HK\$36.0 million), invoices issued to customers with total amount of approximately HK\$80.3 million (31 March 2023: HK\$41.2 million) and the financial assets at fair value through profit or loss of approximately HK\$12.3 million (31 March 2023: HK\$12.3 million) were pledged to secure certain letters of guarantee facility and banking facilities respectively, granted to the Group. No cash deposit (31 March 2023: HK\$4.4 million) was pledged to a third party to secure the performance guarantee granted by the third party (31 March 2023: HK\$12.1 million).

As at 30 September 2023, Mr. Yu Lap On Stephen (“**Mr. Yu**”) and a company controlled by Mr. Chow Mo Lam (“**Mr. Chow**”) and his close family members (namely, Polyfaith Holdings 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 2023 and 31 March 2023, the Group did not have any significant capital commitments.

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 2023.

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 2023, the Group had 117 (31 March 2023: 140) employees. Total staff costs (including Directors' emoluments) were approximately HK\$27.6 million (for the six months ended 30 September 2022: HK\$26.4 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**”).

OTHER INFORMATION

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

As at 30 September 2023, 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 2023, 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 2023.

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 2023, 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:

- 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.
- 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 2023, 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 2023 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 2023.

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 2023, no share option had been granted.

CORPORATE GOVERNANCE

As at 30 September 2023 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 2023, 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 2023 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 2023

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.