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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 2024

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 2024 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2024 as follows:

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

For the six months ended 30 September 2024

		Six months ended 30 September	
	NOTES	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	185,663	186,471
Cost of services		<u>(175,298)</u>	<u>(175,405)</u>
Gross profit		10,365	11,066
Other income, gains and losses	5	1,518	500
Administrative expenses		<u>(4,538)</u>	<u>(4,957)</u>
Profit from operation		7,345	6,609
Finance costs	6	(5,042)	(5,522)
Profit before tax		2,303	1,087
Income tax expenses	7	<u>(233)</u>	<u>(322)</u>
Profit for the period	8	<u>2,070</u>	<u>765</u>
Other comprehensive (expenses)			
Income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(34)</u>	<u>15</u>
Other comprehensive (expenses) income for the period, net of tax		<u>(34)</u>	<u>15</u>
Total comprehensive income for the period		<u>2,036</u>	<u>780</u>
Earnings per share			
Basic (HK cents)	10	<u>0.26</u>	<u>0.10</u>
Diluted (HK cents)		<u>0.26</u>	<u>0.10</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2024

		At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Unaudited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	11	164	199
Right-of-use assets		753	1,506
Financial assets at fair value through profit or loss		11,425	11,425
Deferred tax assets		660	658
		13,002	13,788
Current assets			
Trade receivables	13	32,128	84,630
Contract assets	12	235,181	198,382
Prepayments, deposits and other receivables		23,214	30,487
Pledged bank balances		37,086	36,630
Bank balances and cash		10,390	12,696
		337,999	362,825
Current liabilities			
Trade and other payables	14	144,408	148,508
Contract liabilities		–	3,113
Tax payable		403	168
Bank and other borrowings	15	129,583	148,892
Lease liabilities		778	1,539
		275,172	302,220
Net current assets		62,827	60,605
Total assets less current liabilities		75,829	74,393
Non-current liabilities			
Other borrowings	15	–	600
Other payables	14	532	532
		532	1,132
Net assets		75,297	73,261
Capital and reserves			
Share capital	16	8,000	8,000
Reserves		67,297	65,261
Total equity		75,297	73,261

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	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 2023 (Audited)	8,000	37,915	3,000	29	23,090	72,034
Total comprehensive income for the period	—	—	—	15	765	780
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>
At 1 April 2024 (Audited)	8,000	37,915	3,000	19	24,327	73,261
Total comprehensive (expenses) income for the period	—	—	—	(34)	2,070	2,036
At 30 September 2024 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>(15)</u>	<u>26,397</u>	<u>75,297</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 2024

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Profit before taxation	2,303	1,087
Adjustment for:		
Depreciation of property, plant and equipment	37	46
Depreciation of right-of-use assets	753	753
Finance costs	5,042	5,522
Interest income	(3)	(265)
	<hr/>	<hr/>
Operating profit before working capital changes	8,132	7,143
Change in trade receivables	52,502	(64,249)
Change in prepayments, deposits and other receivables	7,274	5,805
Change in contract assets	(36,799)	18,318
Change in trade and other payables	(4,139)	27,295
Change in contract liabilities	(3,113)	23,175
	<hr/>	<hr/>
Cash generated from operations	23,857	17,487
Income taxes paid	–	(757)
	<hr/>	<hr/>
Net cash generated from operating activities	23,857	16,730
	<hr/>	<hr/>
Investing activities		
Interest received	3	265
Purchase of property, plant and equipment	–	(68)
Placement of pledged bank balances	(456)	(265)
	<hr/>	<hr/>
Net cash used in investing activities	(453)	(68)
	<hr/>	<hr/>

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Financing activities		
Interest paid	(5,042)	(5,522)
New bank borrowings raised	153,009	474,852
Repayment of borrowings	(173,371)	(487,008)
Repayment of lease liabilities	(761)	(732)
	<u>(26,165)</u>	<u>(18,410)</u>
Net cash used in financing activities		
	<u>(26,165)</u>	<u>(18,410)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,761)	(1,748)
Effect of foreign exchange rate changes	2	(55)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,179	14,527
	<u>8,179</u>	<u>14,527</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5,420	12,724
	<u>5,420</u>	<u>12,724</u>
Analysis of cash and cash equivalents		
Bank balances and cash	10,390	12,724
Bank overdraft	(4,970)	–
	<u>10,390</u>	<u>12,724</u>
	<u>5,420</u>	<u>12,724</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

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 2024 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 2024 are consistent with those adopted in the annual report for the year ended 31 March 2024, 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 2024 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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2024.

Application of new and amendments to HKFRSs

The HKICPA has issued the following amendments to HKFRS that are first effective for the Reporting Period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current, and non-current liabilities with covenants*;
- Amendments to HKFRS 16, *Lease: Lease liability in a sale and leaseback*;
- Amendments to HKSA 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction services for residential properties	184,871	146,796
Construction services for commercial properties	792	39,675
	<u>185,663</u>	<u>186,471</u>
Revenue from contracts with customers	<u>185,663</u>	<u>186,471</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 2024 and 2023.

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	130,314	100,315
Customer B	47,829	31,611
Customer C	N/A*	19,377
	<u>130,314</u>	<u>151,303</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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	412	265
Project management fee income	1,000	–
Exchange gain	106	235
	<u>1,518</u>	<u>500</u>

6. FINANCE COSTS

Interest expenses on:

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank borrowings and overdraft	4,975	5,464
Other borrowings	38	–
Lease liabilities	29	58
	<u>5,042</u>	<u>5,522</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax: Hong Kong Profits Tax	235	322
Deferred taxation	(2)	–
	<u>233</u>	<u>322</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 2024 and 2023.

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

2024	2023
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

The Group's profit for the period is stated after charging the following:

Directors' remuneration	3,004	3,004
Other staff costs:		
Salaries and other benefits	19,034	23,214
Retirement benefit schemes	1,348	1,354
	<u>23,386</u>	<u>27,572</u>
Total staff costs*		
	<u>23,386</u>	<u>27,572</u>
Auditor's remuneration	300	295
Depreciation of property, plant and equipment	37	46
Depreciation of right-of-use assets	753	753
Short-term lease rentals in respect of rented premises	200	201
	<u>200</u>	<u>201</u>

* The staff costs were expensed in direct costs and administrative expenses amounting to HK\$21,353,000 (2023: HK\$25,256,000) and HK\$2,033,000 (2023: HK\$2,316,000) respectively.

9. DIVIDENDS

No dividends were paid, declared and proposed by the Company during the six months ended 30 September 2024 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 2024 (for the six months ended 30 September 2023: Nil).

10. EARNINGS PER SHARE

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

Earnings

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>1,661</u>	<u>765</u>

Number of shares

	Six months ended 30 September	
	2024	2023
	'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 did not acquire property, plant and equipment (for the six months ended 30 September 2023: approximately HK\$63,200).

12. CONTRACT ASSETS

Disclosures of revenue-related items:

	At 30 September 2024 HK\$'000 (Unaudited)	At 31 March 2024 HK\$'000 (Audited)
Contract assets – construction	<u>235,181</u>	<u>198,382</u>
Contract receivable (included in trade receivables)	<u>32,128</u>	<u>84,630</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 2024 will be recognised as revenue during the period ending 30 September 2025 to 2027 (2023: the period ended 30 September 2024 to 2026).

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\$62,146,000 (2023: HK\$59,729,000) are included in contract assets as at 30 September 2024. 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 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Trade receivables	32,386	84,888
Less: allowance for bad and doubtful debts	<u>(258)</u>	<u>(258)</u>
	<u>32,128</u>	<u>84,630</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 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
0-30 days	30,140	55,240
31-90 days	968	29,390
Over 90 days	<u>1,020</u>	<u>–</u>
	<u>32,128</u>	<u>84,630</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 2024, 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\$1,020,000 (31 Mar 2024: HK\$Nil) 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 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables	98,166	103,084
Retention payables	14,207	21,944
Accrued charges	13,243	7,499
Amount due to directors	16,695	13,844
Provision on long service payment	532	532
Other payables	2,097	2,137
	<hr/>	<hr/>
Total trade and other payables	144,940	149,040
Less: Other payables classified as non-current liabilities	(532)	(532)
	<hr/>	<hr/>
Total trade and other payable classified as current liabilities	<u>144,408</u>	<u>148,508</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 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
0-30 days	11,183	49,551
31-60 days	11,783	8,941
61-90 days	8,897	11,896
Over 90 days	66,303	32,696
	<hr/>	<hr/>
Total	<u>98,166</u>	<u>103,084</u>

15. BANK AND OTHER BORROWINGS

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Bank loans – secured	105,732	120,437
Bank loans – unsecured	15,901	20,038
Bank overdraft	4,970	4,517
Loan from related party – unsecured	2,980	4,500
	<u>129,583</u>	<u>149,492</u>

	Bank loans and overdraft		Other loans		Total	
	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>	At 30 September 2024 <i>HK\$'000</i>	At 31 March 2024 <i>HK\$'000</i>
Carrying amounts repayable based on scheduled repayment dates set out in loan agreements						
– on demand or within one year	121,300	136,577	2,980	3,900	124,280	140,477
– more than one year, but not exceeding two years	1,957	1,674	–	600	1,957	2,274
– more than two years, but not exceeding five years	1,679	4,820	–	–	1,679	4,820
– more than five years	1,667	1,921	–	–	1,667	1,921
	<u>126,603</u>	<u>144,992</u>	<u>2,980</u>	<u>4,500</u>	<u>129,583</u>	<u>149,492</u>
Less: Carrying amount of bank and other borrowings that are repayable on demand or contain a repayment on demand clause and shown under current liabilities	<u>(126,603)</u>	<u>(144,992)</u>	<u>(2,980)</u>	<u>(3,900)</u>	<u>(129,583)</u>	<u>(148,892)</u>
Carrying amount under non-current other borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>600</u>	<u>–</u>	<u>600</u>

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Variable-rate bank loans comprise:		
Secured bank loans (<i>note (a)</i>)		
– HK dollar bank loans at Hong Kong Interbank Offered Rate (“ HIBOR ”) plus 2.50% to 2.75% (31 March 2024: HIBOR plus 2.50% to 2.75%) per annum	105,732	120,437
Unsecured bank loans (<i>note (b)</i>)		
– HK dollar bank loans at Hong Kong Interbank Offered Rate (‘HIBOR’) plus 2.75% (31 March 2024: HIBOR plus 2.75%) per annum	10,000	10,000
– HK dollar bank loans at Prime Rate less 2.25% (31 March 2024: Prime Rate less 2.25%) per annum	5,901	10,038
	121,633	140,475
Secured bank overdraft (<i>note (a)</i>)		
– HK dollar bank overdraft at Prime Rate less 1.25% (31 March 2024: Prime Rate less 1.25%) per annum	4,970	4,517
Unsecured other borrowings (<i>note (c)</i>)		
– 0.229% per month (31 March 2023: 0.229% per month)	2,980	4,500
	129,583	149,492

As at 30 September 2024 and 31 March 2024, the HIBOR and Prime Rate are quoted by the lending banks.

Notes:

- (a) As at 30 September 2024, the secured bank loans of HK\$105,732,000 (31 March 2024: HK\$120,437,000) and bank overdrafts of HK\$4,970,000 (31 March 2024: HK\$4,517,000) are secured by the pledged bank deposits of HK\$36,677,000 (31 March 2024: HK\$36,630,000), trade receivables of HK\$24,802,000 (31 March 2024: HK\$20,021,000), and financial assets at fair value through profit or loss of HK\$11,425,000 (31 March 2024: HK\$11,425,000) and guaranteed by corporate guarantees of the Company and a PRC subsidiary.

Of the secured bank loans disclosed above, bank loans of HK\$94,769,000 (31 March 2024: HK\$109,542,000) are 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 7.0% to 9.3% (31 March 2024: 7.2% to 7.4%) per annum.

The bank overdrafts carry effective interest rates at 3.1% to 5.2% (31 March 2024: 4.8% to 5.0%) per annum.

- (b) As at 30 September 2024, 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 3.1% to 9.7% (31 March 2024: 3.5% to 7.4%) per annum.
- (c) As at 30 September 2024, other borrowings of approximately HK\$2,980,000 (31 March 2024: HK\$4,500,000) were borrowed from a close family member of a director of the Company, and were repayable within one year (31 March 2024: two years).

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2024 (Audited) and 30 September 2024 (Unaudited) (HK\$0.01 each)	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 31 March 2024 (Audited) and 30 September 2024 (Unaudited) (HK\$0.01 each)	<u>800,000</u>	<u>8,000</u>

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

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

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

17. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	2,650	2,650
Retirement benefits scheme contribution	9	9
	<u>2,659</u>	<u>2,659</u>

As at 30 September 2024, 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\$94,769,000 (31 March 2024: HK\$109,542,000).

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 2024, the Group had four projects in progress with a total contract sum of approximately HK\$558.0 million, of which approximately HK\$182.1 million was recognised as revenue during the Reporting Period.

During the Reporting Period, we were awarded one project, with a contract sum of approximately HK\$18.6 million. Letters of award of this project was signed and it is not yet at the construction 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 2024 and 2025 are 22,267 new units and 25,531 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 2024 compiled by the Rating and Valuation Department, office completions in 2023 decrease significantly to 158,700 m². Completions are expected to remain steady in 2024 at 156,300m² and slightly decrease to 136,100 m² in 2025. In 2024 and 2025, new Grade A completions will be 146,000 m² and 126,400 m² respectively. The Central and Western district will be the major supplies in these two years contributing 43% and 40% of the anticipated supplies respectively.

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 remained relatively stable at approximately HK\$185.7 million and HK\$186.5 million for the six months ended 30 September 2024 and 2023 respectively.

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 remained relatively stable at approximately HK\$175.3 million and HK\$175.4 million for the six months ended 30 September 2024 and 2023 respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$0.7 million from approximately HK\$11.1 million for the six months ended 30 September 2023 to approximately HK\$10.4 million for the six months ended 30 September 2024. The Group's gross profit margin decreased from approximately 5.9% for the six months ended 30 September 2023 to approximately 5.6% for the six months ended 30 September 2024, representing a decrease of approximately 0.3 percentage points. The decrease was mainly attributable to the additional subcontracting costs incurred when carrying out certain projects.

Other Income, Gains and Losses

Other income, gains and losses increased by HK\$0.5 million from approximately HK\$1.0 million for the six months ended 30 September 2023 to approximately HK\$1.5 million for the six months ended 30 September 2024. Such increase is mainly due to a project management fee income recognized during the six months ended 30 September 2024.

Administrative Expenses

Administrative expenses of the Group remained relatively stable at approximately HK\$4.5 million and HK\$5.0 million for the six months ended 30 September 2024 and 2023 respectively.

Finance Costs

Finance costs remained relatively stable at approximately HK\$5.0 million and HK\$5.5 million for the six months ended 30 September 2024 and 2023 respectively.

Taxation

The income tax expenses of the Group decreased by approximately HK\$0.1 million from approximately HK\$0.3 million for the six months ended 30 September 2023 to approximately HK\$0.2 million for the six months ended 30 September 2024. The decrease in income tax expenses is mainly due to decrease in taxable income from the Group's ordinary business during the six months ended 30 September 2024.

Profit for the Period

Profit for the period increased from approximately HK\$0.8 million for the six months ended 30 September 2023 to approximately HK\$2.1 million for the six months ended 30 September 2024. Such increase was mainly attributable to the net result of: (i) decrease in gross profit of approximately HK\$0.7 million; (ii) increase in other income of approximately HK\$1.0 million; (iii) decrease in administrative expenses of approximately HK\$0.5 million; and (iv) decrease in finance costs of approximately HK\$0.5 million for the six months ended 30 September 2024.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 September 2024 was approximately HK\$10.4 million, decreased by approximately HK\$2.3 million when compared with approximately HK\$12.7 million as at 31 March 2024. Such change was attributable to repayment of bank loans.

The pledged bank balances were approximately HK\$37.1 million as at 30 September 2024, increased by HK\$0.5 million when compared with approximately HK\$36.6 million as at 31 March 2024.

During the Reporting Period, the Group had outstanding borrowings of approximately HK\$129.6 million (as at 31 March 2024: HK\$149.5 million), all are repayable on demand or within one year (as at 31 March 2024: HK\$0.6 million were repayable after one year). The Group's borrowings were denominated in Hong Kong dollar. 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 report.

The current ratio of the Group remained steady at 1.2 as at 30 September 2024 and 31 March 2024. 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 57.8% as at 31 March 2024 to approximately 52.2% as at 30 September 2024.

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 2024, 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 report, the Group did not have other plans for material investments or capital assets as at the date of this report.

PLEDGE OF ASSETS

As at 30 September 2024, the Group's bank deposits of approximately HK\$37.1 million (31 March 2024: HK\$36.6 million), trade receivables of approximately HK\$24.8 million (31 March 2024: HK\$20 million) and the financial assets at fair value through profit or loss of approximately HK\$11.4 million (31 March 2024: HK\$11.4 million) were pledged to secure banking facilities granted to the Group.

As at 30 September 2024, Mr. Yu Lap On Stephen (“**Mr. Yu**”) and two companies controlled by Mr. Chow Mo Lam (“**Mr. Chow**”) or his closed family members (namely, Polyfaith Holdings Limited and Polykind Far East Limited) had pledged their properties to secure banking facilities granted to certain subsidiaries of the Group for nil consideration.

CAPITAL COMMITMENTS

As at 30 September 2024 and 31 March 2024, 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 report, 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 report, the Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 30 September 2024.

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 2024, the Group had 102 (30 September 2023: 117) employees. Total staff costs (including Directors' emoluments) were approximately HK\$23.4 million (for the six months ended 30 September 2023: HK\$27.6 million). The remuneration package offered to our employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase and promotions based on the performance of each employee. The Group provides on-the-job training to our employees and sponsors certain employees to attend training courses.

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 2024, 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 2024, 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 2024.

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 report, as at 30 September 2024, 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 2024, 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 2024 and up to the date of this report, 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 2024.

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 2024, no share option had been granted.

CORPORATE GOVERNANCE

As at 30 September 2024 and up to the date of this report, the Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules. During the six months ended 30 September 2024, 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 were 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 2024 and this interim report and is of the view that such statements and report have been prepared in compliance with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and the adequate disclosure had been made.

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

Hong Kong, 29 November 2024

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.