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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)

FULFILLMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of Polyfair Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (I) the announcement of the Company dated 30 June 2025 in relation to the delay in publication of the 2025 annual results ("**2025 Annual Results**") and annual report ("**2025 Annual Report**") of the Company for the year ended 31 March 2025; (II) the announcement of the Company dated 2 July 2025 in relation to the suspension of trading in the shares of the Company on the Stock Exchange; and (III) the announcements of the Company dated 11 August 2025, 22 August 2025, 29 August 2025, 12 September 2025, 22 September 2025, 3 October 2025, 6 October 2025, 8 October 2025, 17 October 2025 and 24 October 2025 regarding (i) the delay in publication of the 2025 Annual Results and 2025 Annual Report, (ii) the date of the Board Meeting; (iii) the suspension of trading and (iv) the quarterly update on the resumption progress (the "**Update Announcements**"); (IV) the announcement of the Company dated 10 October 2025 in relation to the resumption guidance set forth by the Stock Exchange; and (V) the announcement of the Company dated 31 October 2025 in relation to the publication of the 2025 Annual Results (collectively, the "**Announcements**").

Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

BACKGROUND

On 2 July 2025, trading in the shares of the Company on the Stock Exchange was suspended at the request of the Company, pending the publication of the 2025 Annual Results.

As the Company takes the view that it has fulfilled all resumption guidance of the Stock Exchange (to be further particularized below), the Company has made an application to the Stock Exchange for resumption of trading in its shares.

REASONS FOR THE DELAY IN PUBLICATION OF THE OUTSTANDING FINANCIAL RESULTS

As disclosed in the Update Announcements, the key outstanding audit matters to be resolved for the publication of the 2025 Annual Results and 2025 Annual Report (the "**Outstanding Audit Matters**") include:

(i) completion of the Expected Credit Loss (ECL) valuation on trade receivable and contract assets and finalization of the related assessment report (the "**ECL Matter**");

(ii) outstanding audit confirmations in respect of the trade receivables and trade payables from the Group's customers and suppliers and sub-contractors, respectively (the "**Audit Confirmations**"); and

(iii) the assessment of the reasonableness of the gross loss incurred for the year ended 31 March 2025 (the "**Gross Loss**").

The Group has experienced a Gross Loss for the year ended 31 March 2025, which is mainly due to:

Subcontractors issue

The Company experienced the withdrawal of several subcontractors (the "**Withdrew Subcontractors**"), who completely removed their personnel from the different projects. The Company had to pick up their unfinished works, which the Company had to incur the additional cost on the labour and administration of the projects (including higher overhead cost for new labour, training cost, rework on defect caused by the Withdrew Subcontractors and etc.) and causing higher cost to the Company. Those Withdrew Subcontractors had been removed from the Company's supplier list after the Company's internal control review of supplier list which responsible by the Company's CEO. The Company is also seeking legal advice to determine whether to take legal action to those Withdrew Subcontractors.

Unexpected Adjustments of the Project's Progress

Due to initial delays for which the landlord/main contractor is responsible, the Company's workforce experienced significant periods of idleness. Subsequently, a refusal to grant a commensurate extension of time forced the company to accelerate the works. To meet the original completion date and avoid further penalties, the Company were compelled to substantially increase our workforce and incur major additional costs. These acceleration measures, essential due to the denied time extension, have resulted in significantly higher costs compared to the previous period. In addition, the withdrawn of subcontractors also caused the Company to incur the additional cost for picking up the projects as mentioned above.

Due to the withdrawn of subcontractors, the higher cost incurred was causing the gross loss of the Company. The Company had gone through the gross loss analysis (the "**Gross Loss Analysis**") including but not limited to the following: (i) reviewed the contracts with subcontractors and main contractors; (ii) reviewed the correspondence between the Company, the landlord and the subcontractors; (iii) seeking legal advice whether the Company can take legal actions to those Withdrew Subcontractors; (iv) quantified the loss by assessment on the labour and administration costs of the Company due to the Company had to hire the labour directly; (v) understanding the rationale behind the Gross Loss.

After reviewing the Gross Loss Analysis, the auditor has no further comments on the Gross Loss as presented in the 2025 Annual Results. The Company believes that the Gross Loss is temporary as it is mainly due to the subcontractor issue and unexpected adjustments of the project's progress mentioned above, which the Company had changed those Withdrew Subcontractors and managed new payment terms with clients to improve the operations and resolve the Gross Loss.

As the balances of the trade receivable and contracts assets which subject to ECL assessment can only be confirmed after the work on the Gross Loss Analysis mentioned above had been finalised, this leads to the delay in the completion of the ECL assessment by the auditor.

The Directors, in consultation with the auditor, have reviewed the factors contributing to the Outstanding Audit Matters. The Company had appointed valuer to fulfil the requirements of the ECL Matter. For the Audit Confirmations, it has been resolved before publishing the 2025 Annual Results and 2025 Annual Report. All of the Outstanding Audit Matters have been resolved before publishing the 2025 Annual Results and 2025 Annual Report.

The 2025 Annual Results was published on 31 October 2025 and 2025 Annual Report will be published around 14 November 2025. Details of which have been disclosed in the aforesaid announcements of the 2025 Annual Results.

The Directors consider that the foregoing explanation has clarified the circumstances contributing to the delay in the publication of the 2025 Annual Results.

RESUMPTION GUIDANCE

On 6 October 2025, the Company received from the Stock Exchange the following resumption guidance (collectively, the "**Resumption Guidance**") for the resumption of trading in the Company's shares:

(1) publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications ("**Resumption Guidance 1**");

(2) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules ("**Resumption Guidance 2**"); and

(3) inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position ("**Resumption Guidance 3**").

FULFILLMENT OF RESUMPTION GUIDANCE

The Board is pleased to announce that the Company has fulfilled the Resumption Guidance.

Resumption Guidance 1 – publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications

The Company published the 2025 Annual Results on 31 October 2025 and 2025 Annual Report will be published around 14 November 2025.

As disclosed in the 2025 Annual Results, the Group reported a gross loss of approximately HK$83,283,000 and loss attributable to owners of the Company of approximately HK$133,071,000 for the year ended 31 March 2025 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK$58,002,000 and HK$57,898,000 respectively. Moreover, the Group's total borrowings amounted to approximately HK$135,001,000 were classified as current liabilities as at 31 March 2025, while its bank balances and cash amounted to approximately HK$811,000 only. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, the auditor has a disclaimer of opinion on the going concern of the Gorup.

The Group is taking the measures to strengthen its financial position, including:

(i) financial support from the major shareholder from time to time, by considering the financial needs of the Group. The Company's controlling shareholder, C.N.Y. Holdings Limited undertakes that it will provide financial support to the Group based on the assessment of financial needs;

(ii) negotiating with banks and financial institutions for new facilities on the future projects to be successfully engaged by the Group. As at the date of this announcement, the Group is awarded for three projects (the "**Awarded Projects**") and the Group is in negotiation with the bank on Awarded Projects for bank facilities if necessary;

(iii) considering for fund raising by issuing shares to enrich the capital of the Group. The Group is considering issuing shares in appropriate timing to utilize the ability for fund raising to enrich the financial position of the Group; and

(iv) negotiating with subcontractors for those long overdue payments to be capitalised, for reducing the liabilities.

The Group has been actively negotiating and will continue to maintain constant communications with creditors and lenders of the Group on the extension of borrowings. By leveraging on the support from potential strategic partners and/or the major shareholder (as disclosed on the announcement dated 8 October 2025), the Group will continue to work with lenders and creditors of the Group on new principal and/or interests payments terms.

Resumption Guidance 2 – demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules

The Group carries out its business with a sufficient level of operations.

The Group is principally engaged in provision of providing both design and build services in the Group 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.

The Company will continue their business in construction industry with improvement measures. First of all, the Company undergoes a streamlining process including reduce the overhead and fixed costs to improve our cost effectiveness. The Company emphasizes on the role to engage new projects, provide overview design and designer supervisory services and project management services. It sources experienced teams for detailed design after the overview design is finished by the Company's designer, supervises on the project progress and focuses on the quality control on the project outcomes.

As a contractor for the façade and curtain wall works, the Company generates revenue through the payment from the clients on the projects and engages external teams to conduct the projects, while maintaining the overview design and project management and quality control, the Company will closely monitor the budget and working progress for each project. In case any additional works and variation orders to be performed, the Company will negotiate with the owners and main contractors via our in-house quantity surveying function in order to ensure our costs are reasonably reflected in the payment from the clients. In order to improve the Company cashflow, the Company will source projects with upfront deposit with priority and seek for source of external funding includes the project loans from banks or fund raising from the capital market from time to time if necessary.

Existing Project Status

The Group continues to operate its business in the ordinary and usual course as at the date of this announcement. The Group's ongoing projects, Kam Sheung Road and LP 11 (the "**Existing Projects**"), are operating normally, with approximately 1,300 units currently under construction.

Based on the progress update, the LP11 project is completed approximately 90% of the total progress. It is working on the variation works after inspection for the work done, which the final acceptance will be approved upon the acceptance of the variation works. During this stage, if the client requires additional changes, the Company will require extra variation works to fulfill the requirements from the clients. It is expected to finish by early 2026 and the remaining contract sum is approximately HK$32 million. The LP11 project is proceeding toward its planned conclusion according to the established timeline, subject to any extra client requirements.

Meanwhile, the Kam Sheung Road project is progressing steadily through its scheduled workflow and is completed approximately 80% of the total progress. Currently, progress of the Kam Sheung Road project is approaching the completion of the basic scope of work for the inspection of acceptance. Upon inspection of acceptance, if there is any changes for the fixation of the works, extra fees from the client and variation works may be required to fulfill for the final acceptance. The Kam Sheung Road project completion date has been further extend to mid-2027 by the client and the remaining contract sum is approximately HK$68 million. Similar to the LP11 projects, final acceptance will be subjected to any extra client requirements and the Company is yet to receive the comments from the client until the inspection of acceptance. The Kam Sheung Road project remains on track toward its anticipated completion, which is set after the conclusion of LP11.

For the Existing Projects, the Company applied for bank loan to finance the payment to the suppliers based on the contract sum of the projects. However, due to the delay of projects, and the additional cost for the Company to satisfy the clients for their extra requirements, there were an overbudget based on the contract sum and the Company could not expand the bank loan for the payment. So, the Company had negotiated with the clients that the Company will send the received suppliers' invoice to the clients, and the clients will arrange the settlement for the Company, so the pressure for the Company to prepare cashflow for supplier payment will be reduced.

Awarded Projects

The Company has been awarded three projects as at the date of this announcement. Those Awarded Projects include clients from the government department, real estate developer and government public organisations. The Awarded Projects will commence on early 2026 and the Company is conducting the preparation work for the commencement of the Awarded Projects. It is expected to complete within 7 to 12 months after the commencement of the projects and the contract sum for the Awarded Projects is approximately HK$19 million in aggregate. The Awarded Projects are related to installation of curtain wall, glass wall and façade system, etc.

For the Awarded Projects, the Company will apply bank loan for supporting it and the major shareholder undertakes to provide financial support if bank loan is not sufficient for the projects if necessary. In addition, the Company is rearranging the payment terms to request partial payment in advance for the Awarded Projects. The Awarded Projects are going to have monthly instalments instead of payment at the end of the projects, which depending on the acceptance of the monthly progress, the clients will pay monthly once the monthly progress is satisfied.

Upcoming Projects Status

The Group is also submitted around 10 tenders for decoration works on different projects. Most of the projects are located in Hong Kong, including the Northern Metropolis, for clients from private clients, tertiary institutions and government public organisations, etc. Those projects are related to installation of curtain wall, glass wall, aluminium works, etc. If the tenders are successfully bid, it is expected the tenders will be awarded in end of 2025 or first quarter of 2026. The Group believes that with the current business environment in Hong Kong, projects from tertiary institutions and government public organisations, with the projects in the rapid developing Northern Metropolis area will secure the Group's revenue stream if the tenders are successfully bid.

Once the tenders are successfully bid, the Company will negotiate for upfront payment from the projects and monthly instalments from the clients. In addition, to support the operation of the projects, the Company will apply project bank loan in case upfront payment is insufficient and monthly instalments is not available. Moreover, major shareholder will also provide financial support or further fund raising by the Company if necessary.

In addition to the existing project, the Group is negotiating with client for a logistics warehouse project in the New Territories region, which covering an area of over 20,249 square meters (the "**Logistics Project**"). The Logistics Project has three Phases. Phase I of it is the construction of the whole site foundation with the first Cold Store. Phase II and III of it involve extension of the Cold Store in Phase I to build two more Cold Stores on the same site. As the client will provide deposit in advance and payment by instalment to the Company according to the discussion between the Company and the client. The Logistics Project tender result will be released around end of 2025. Hence, no material advanced capital is required. The Company is one of the bidders for the Logistics Project and if the Logistics Project gets successfully bid, it will bring in further revenue to the Group in the coming years.

The Company's business plan focuses on the following strategies:

(i) Widen the client base to adopt mid-to-small scale projects – Adjust the Company's strategy to focus more on mid-to-small scale projects, so that the Company can generate revenue from mid-to-small scale projects, which is more efficient in making decision from clients and shorter duration to complete, instead of large scale projects that require lengthy decision process before engagement and long completion duration with exposure on risk during the project period.

(ii) Widen the services through M&A – the Company is working on the M&A project which will widen the services provided to clients. By such expansion of services, the Company can adopt more projects apart from the façade and curtain wall works, and gradually transform to a full services integrated contractor. In addition to the Group's core business of providing design and building services, the acquisition of the Target Company on 24 April 2025, marks a significant strategic expansion. The Target Company brings a long-standing history and extensive experience in the Hong Kong construction industry as an approved minor works contractor, possessing various licenses that qualify it for a wide range of projects. The Group believes this merger is fully aligned with its strategic objectives. The Group is in negotiation with the vendor of the Target Company for extension of the long stop date of the acquisition. Further details are available in the announcement dated 24 April 2025.

Upon the completion of the acquisition, it is expected to enhance the Group's cost structure and provide the capabilities to actively pursue a diverse project portfolio outside of Hong Kong, specifically in Macau and Mainland China. This strategic expansion into new markets is designed to unlock significant growth opportunities, strengthen revenue streams, and improve financial performance. Ultimately, the Group is confident that this initiative will generate more stable cash flows, position the Group more competitively, and ensure its long-term sustainability.

(iii) Streamline the operation – the Company has performed a streamlining scheme during the year, which includes reducing overheads, outsourcing some labour intensive departments, while keeping overview design team and quality assurance team, in order to reduce the expenses, maintaining the supervisory role and ensuring the workmanship quality during the industry downturn. To improve the Group's financial position and cash flow, it has streamlined the operations from direct hiring of staff and labour to outsourcing certain operational procedures to subcontractors. The enhancements aim to reduce management costs, particularly in areas such as preliminary design and on-site construction labour. By focusing on the core design approval and quality control teams, the Group can streamline operations, reduce expenses, and maintain high standards of quality. The rearrangement of the Group's strategy enhances the Group from a labour intensive construction service provider, to a supervisory role on the construction work, which allow more flexibility for the Group to source and cooperate with different teams and leverage their strengths. As at 31 March 2025, the Group had a total of 19 employees, together working with consultants experienced in different areas to form the project teams, to supervise the ongoing projects and projects to be engaged in the near future. Currently, the project teams have been working with the Group before, including some ex-colleagues from the Group, which the Group is fully understand their ability. The Group will adjust the size of the teams from time to time, according to the quantity and difficulties of the projects, to fully utilize and streamline the cost and enhance the profitability of the Group.

As at 31 March 2025, the Group's total assets amounted to approximately HK$213 million, among which (i) contract asset approximately HK$159 million; (ii) Prepayments, deposits and other receivables approximately HK$1.6 million; and (iii) Trade receivables approximately HK$6.4 million; and (iv) Pledged bank balances approximately HK$35 million and (v) bank balance and cash approximately HK$811,000, together representing approximately 95.2% of the total assets.

As at 31 March 2025, the Group has approximately HK$135 million of bank and other borrowings (the "**Bank Loan**"), it includes bank loans from 3 banks and one shareholder loan with amount approximately HK$3 million. The Bank Loan were overdue for less than four months as at 31 March 2025. As at the date of this announcement, the Group received one demand letter from one of the bank (the "**Demanded Loan**") and no legal action was taken to call the loan liable to the Group. The Group is in negotiation with the bank to repay Demanded Loan by instalment and repay interests instead of the principal in the coming year. The Group is starting to repay the Demanded Loan starting from November 2025. As at the date of this announcement, by using the Company's internal resources, the Bank Loan has been reduced to less than HK$100 million. As most of the Bank Loan are revolving loan, the Company is negotiating with the bank to repay the interest instead of repayment of principal together. The Group will continue to recover payments from clients, sell some of the private assets if necessary and have further fund raising by issuing shares for repayment of the Bank Loan.

With the strategies mentioned above, the Company believes that it will help the Company to improve the cashflow and asset position. The Company will continue to negotiate (i) with the bank for the loan extension and repayment scheme; (ii) with the subcontractors for reducing the payment amounts and payment terms in accordance with the quality from the subcontractors, or settle the payment by issuing shares, etc. to reduce the liabilities. Moreover, the Company is considering fund raising exercise to improve the capital base.

Under the challenging business environment in the industry, the Board believes that (i) streamlining operation workflow; (ii) widening its client base to adopt projects with different scale; (iii) sourcing projects with better cashflow; (iv) improve the Company internal monitoring measures on budgets and work progress; and (v) continuous negotiation on the payments from the Company's clients and subcontractors, the Board believes the Company can tackle the challenges under the current business environment and the new income source from mid-to-small projects and effort to reduce liabilities will also bring sufficient revenue and profits to the Company to support the operation.

Based on the above, the Group considers it has taken active measures to manage the going concern issue and has always carried out its business with a sufficient level of operations and assets of sufficient value to support its operations and therefore the Resumption Guidance 2 has been fulfilled.

Resumption Guidance 3 – inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position

Since the trading suspension on 2 July 2025, the Company has published quarterly update announcements pursuant to the GEM Listing Rules.

On 31 October 2025, the Company has announced all of its outstanding financial results.

The Board believes that the Company has announced all material information it considers necessary and appropriate for the Company's shareholders and other investors to appraise the Company's position as at the date of this announcement.

RESUMPTION OF TRADING

As illustrated above, the Company takes the view that it has fulfilled all Resumption Guidance.

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 2 July 2025 at the request of the Company. As the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 4 November 2025.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By Order of the Board
Polyfair Holdings Limited
Chow Mo Lam
Chairman

Hong Kong, 3 November 2025

As at the date of this announcement, the executive Directors are Mr. Chow Mo Lam, Mr. Yu Lap On Stephen and Mr. Wong Wai Man; and the independent non-executive Directors are Dr. Lung Cheuk Wah, Mr. Man Yun Yee and Ms. Sun Shui.

This announcement, for which the Directors 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 of Hong Kong Limited 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.

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.