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

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE CHANGE OF AUDITORS

Reference is made to the announcement of Polyfair Holdings Limited ("**Company**") dated 20 March 2026 in relation to the change of auditor ("**Announcement**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

BACKGROUND AND DISCUSSIONS WITH THE PREDECESSOR AUDITOR

Discussions were held between Asian Alliance (HK) CPA Limited ("**Asian Alliance**") and the Company's management during the period from 12 December 2025 to 12 March 2026, during which Asian Alliance indicated that the audit fee would be higher than that charged for the year ended 31 March 2025.

The higher quotation of Asian Alliance relative to CCTH CPA Limited ("**CCTH**") is primarily attributable to CCTH's proposal offers a more cost-effective, risk-focused audit with a leaner senior team and all-inclusive fees. These are attributable to (i) Asian Alliance proposed a full-scope audit requiring extensive substantive testing and high-level review time across all account areas which driving up the average costs whereas CCTH adopts a risk-based approach focused on material balances and key risk areas, reducing unnecessary procedures, (ii) the proposed team structures differ that Asian Alliance planned a larger audit team with component auditors for overseas subsidiaries, resulting in higher overall staffing costs, whereas CCTH proposes a leaner structure with appropriately senior resources, and reduces the cost for component auditor involvement and (iii) CCTH's fee quotation was all-inclusive of outgoings and disbursements, whereas Asian Alliance's proposal stipulated separate additional charges and also the charges for preparations, communications and high level review in group audit instructions.

As part of the Group's ongoing cost-efficiency measures, the Company compared and evaluated audit proposals from several CPA firms, including Asian Alliance and CCTH, against consistent criteria covering audit plan, timetable, team composition, independence, and professional competence. The evaluation further took into account of factors such as firm's reputation, industry experiences, and firm's size, as well as their proposed fees. After the comprehensive consideration of these factors, the Company determined not to accept the proposal submitted by Asian Alliance and other CPA firms.

Subsequent to discussions, Asian Alliance acknowledged the Company's consideration of changing auditor and, citing a disagreement on fees, tendered its resignation as the Company's auditor with effect from 19 March 2026. The Audit Committee has noted that the comparative assessment of the audit proposals was conducted in a fair, rigorous, and comprehensive manner.

KEY CONSIDERATIONS OF THE AUDIT COMMITTEE

The Audit Committee has carefully reviewed the differences in the proposed audit scope between Asian Alliance and CCTH. In this connection, the Audit Committee acknowledges the material difference that Asian Alliance will conduct a full-scope audit within the Group's entities, whereas CCTH will adopt a risk-based audit approach.

Importantly, the Audit Committee further understands and acknowledges that, notwithstanding the difference in audit methodology, there is no material difference in the key audit matters identified between Asian Alliance and CCTH. Based on CCTH's preliminary risk assessment, it has identified several key audit matters that are aligned with the Group's business nature and consistent with the focused areas previously adopted by Asian Alliance for the prior year. These include, but are not limited to: the recognition of construction contract revenue and recoverability of trade receivables; the going concern assessment, specifically addressing the disclaimer of opinion issued for FY2024; the measurement of impairment provision for trade receivables; the completeness of related party transaction identification and disclosure; and the consolidation of financial statements of Hong Kong and Mainland China subsidiaries, including GAAP adjustments required to prepare the consolidated financial statements in accordance with HKFRS and the disclosure requirements of the Hong Kong Companies Ordinance and GEM Listing Rules.

The Audit Committee has reviewed CCTH's proposed audit scope and acknowledged that it is fully aligned with the size and complexity of the Group. The Group's business has limited geographical spread and a simple operational structure, so a risk-based, materiality-focused audit is appropriate and sufficient, and will not compromise audit quality. The Audit Committee further confirms that CCTH's risk-based approach and proposed audit scope are fully commensurate with the size, business nature and complexity of the Group.

For CCTH, the core audit team comprises qualified CPAs with tiered relevant audit experience covering Hong Kong Main Board, GEM and US listed entities. The lead engagement partner possesses more than 20 years of audit experience, the independent quality review partner and audit manager each hold over 15 years of relevant audit experience, two senior auditors have 4 to 6 years of experience apiece, and one junior auditor will be assigned to the engagement.

The total estimated audit hours to be incurred for this audit engagement are approximately 455 hours, split across different audit phases including planning and risk assessment, internal control testing, substantive testing for key account balances, going concern evaluation, other balance sheet and transaction procedures, group consolidation review as well as final completion and quality review. The aggregate hours breakdown by staff seniority is 70 hours for partner/director level staff, 140 hours for audit manager, 170 hours for senior audit staff and 75 hours for junior audit staff. In conclusion, CCTH's team structure is comparable to Asian Alliance in respect of seniority and qualifications.

The Audit Committee has reviewed relevant supporting materials including CCTH's detailed time allocation and resource plan, the audit engagement letter and PN730 engagement letter, and considers that CCTH has committed sufficient and appropriately senior resources to complete the audit efficiently. The leaner team structure proposed by CCTH does not imply lower audit quality, as it eliminates redundant staffing layers and aligns with its focused risk-based audit methodology.

AUDIT COMMITTEE'S ASSESSMENT ON CCTH

The Audit Committee assessed CCTH against the criteria set forth in Section 2 of the AFRC Guidelines, based on a review of CCTH's audit plan report and supporting introductory materials. The assessment encompassed the following core dimensions prescribed under the aforesaid guidelines, including governance and leadership; industry knowledge and technical competence; engagement performance; communication; audit inspection results and regulatory outcomes; and compliance with ethical environment.

When reviewing governance and leadership, the Audit Committee reviewed CCTH's formal System of Quality Management and governance structure with clear roles for leadership, ethics and quality oversight. The Audit Committee assessed CCTH's relevant governance frameworks for safeguarding public interest in audit work and noted the firm's senior managing partner holds ultimate accountability for its quality management system with adequate experience and authority. CCTH maintains institutional arrangements to uphold audit quality, internal mechanisms to address personnel failing to meet quality standards, and utilises audit quality indicators to evaluate engagement partners' performance.

The Audit Committee also reviewed CCTH's compliance and regulatory records and acknowledges its governance framework complies with the requirements under the AFRC Guidelines, with no material adverse regulatory inspection results, ongoing investigations or disciplinary sanctions against CCTH or its key leadership team.

In terms of industry knowledge and technical competence, CCTH's core audit team comprising the audit partner, quality control reviewer, and other key personnel with CPA qualifications and possesses extensive audit experience ranging from 4 to over 20 years with solid experience in auditing Hong Kong listed entities, particularly those in the construction and property sectors, including alternative and addition works. This specialised knowledge reinforces CCTH's team capacity to address the specific industry knowledge relevant to the Group's operations. Furthermore, CCTH has a proven track record of serving sizable medium-to-large private and listed companies in Hong Kong, underpinned by a sound reputation, over 10 years of establishment, and the support of its global alliance network.

Regarding engagement performance, CCTH adopts a risk-based audit approach tailored to the Group's business profile with targeted audit procedures focusing on material balances and key risk areas including revenue, trade receivables and going concern. The Audit Committee evaluated CCTH's proposed audit arrangements, covering planned audit procedures, resource allocation and the proposed one-month audit timeline, and acknowledged such arrangements are reasonable and sufficient to obtain sufficient appropriate audit evidence without compromising audit quality. CCTH also maintains comprehensive internal quality control policies governing the full audit execution process to ensure consistent audit quality throughout the engagement.

For communication arrangements, CCTH complies with Hong Kong Standards on Auditing for two-way communication. Scheduled formal meetings will be held for audit planning and upon audit completion, material findings will be reported promptly in writing where necessary, and private meetings without management will be arranged when required. Such two-way communication will be conducted with the Audit Committee and the Company's management as appropriate.

With regard to audit inspection results and regulatory outcomes, CCTH has a full set of internal monitoring and remediation systems, and confirmed no factors threatening auditor independence. There are no material adverse regulatory inspection results, ongoing investigations or disciplinary actions against the firm or its key team members.

Separately, the Audit Committee held specific discussions with CCTH regarding the FY2025 disclaimer of opinion on going concern issued by the predecessor auditor Asian Alliance (HK) CPA Limited. The Audit Committee reviewed CCTH's proposed corresponding audit procedures covering evaluation of management's going concern assessment, review of cash flow forecasts and underlying assumptions, communications with the Group's principal bankers on the continued availability and renewal of credit facilities, assessment of potential loan defaults or covenant breaches, sensitivity analysis on key operational assumptions, review of post-year-end events that may impact the going concern assumption, and evaluation of the adequacy of financial statement disclosures on material going concern uncertainties.

The Audit Committee acknowledges such proposed procedures properly address the concerns that gave rise to the prior-year disclaimer and notes that CCTH will form its own independent audit opinion based on sufficient appropriate audit evidence without pre-judging audit conclusions. All such procedures will be performed by CCTH in full compliance with the ethical requirements set out under Section 2 of the AFRC Guidelines.

Following due consideration of all relevant information and supporting materials, the Audit Committee acknowledges that CCTH is fully compliant with the requirements prescribed under Section 2 of the AFRC Guidelines. In addition, CCTH has confirmed its compliance to all applicable ethical requirements, affirmed its independence from the Company, and confirmed that no conflicts of interest exist in connection with its proposed appointment as the Company's auditor.

THE AUDIT PLANNING AND TIMETABLE OF CCTH

CCTH performed the audit of the consolidated financial statements of the Group for the year ended 31 March 2026 in accordance with HKFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and in compliance with the GEM Listing Rules. CCTH adopted a risk-based audit approach conducted in accordance with Hong Kong Standards on Auditing.

In the planning phase, CCTH obtained an understanding of the Group's operations, control environment, accounting systems and financial reporting system, and an agreed timetable for service delivery was established. In assessing risk, CCTH analysed the Group's financial reports and other relevant information, and through communication and discussion with management, assessed the risks of material misstatement in the financial statements and formulated appropriate audit responses. Based on the results of the risk assessment, CCTH designed and developed tailored audit procedures for each cycle. In execution, CCTH carried out the planned audit procedures, including substantive audit procedures on each financial cycle, and where reliance is placed on the Group's internal control systems, tests of controls have been performed to assess their effectiveness and reliability. Finally, in concluding and reporting, CCTH consolidated the work performed across the audit team to ensure the delivery of a high-quality audit, and issued reports based on the audit results.

The Audit Committee has evaluated CCTH's proposed audit timeline and acknowledged that it is reasonable and sufficient to support the timely finalisation of the audit. In this regard, the Audit Committee also requested that Asian Alliance, as the predecessor auditor, provide a detailed breakdown of the number of audit hours together with the proposed schedule for current year for comparative purposes. However, the Audit Committee was unable to obtain such information, as Asian Alliance was not in a position to provide that data to the Company. Nevertheless, based on the Audit Committee's understanding of the proposed schedules originated from last year, the estimated total hours are similar to those proposed by CCTH. However, the fee differential primarily from their internal cost structures and audit methodologies.

Asian Alliance's full-scope audit approach requires comprehensive reviews across all operating cycles, with extensive high-level oversight, significant senior involvement, and intensive communication and review of component auditors' work for overseas subsidiaries that resulting in a higher average cost. In contrast, CCTH adopts a risk-based approach, assigning appropriately senior resources with a more evenly distributed cost structure, thereby achieving a lower average cost.

CCTH's timetable is structured as follows: (i) engagement acceptance, planning, team briefing and information gathering from 20 to 27 April 2026 (40 hours); (ii) fieldwork, internal control testing and audit evidence collection from 28 April to 12 May 2026 (275 hours); (iii) audit review, clearance and report drafting from 13 to 25 May 2026 (95 hours); and (iv) finalisation of the auditor's report on or before 30 May 2026 (45 hours) to facilitate the timely announcement of the Group's results.

The estimated total audit hours of approximately 455 hours are allocated across planning and risk assessment, internal control testing, substantive procedures for key risk areas, going concern evaluation, group consolidation and completion review, with separate time allocation assigned to partner, manager, senior and junior audit staff. Having regard to the foregoing, the Audit Committee is satisfied that the proposed audit plan for CCTH to complete all necessary audit procedures without compromising audit quality, and that CCTH's committed resources are sufficient to support the audit engagement.

AUDIT COMMITTEE'S COMPETENCE AND DUE JUDGEMENT

In reaching the conclusions on the change of auditor, the Audit Committee acknowledges that all of its members possess proper, sufficient knowledge and experience to exercise due and careful judgement in this matter. The relevant biographies of the Audit Committee members, detailing their professional qualifications and financial expertise, have been fully disclosed in the annual report of the Company issued on 31 July 2026.

By Order of the Board
Polyfair Holdings Limited
Yu Lap On Stephen
Executive Director

Hong Kong, 14 August 2026

As at the date of this announcement, the executive Directors are Mr. Mu Ruifeng, Mr. Yu Lap On Stephen and Mr. Wong Wai Man; and the independent non-executive Directors are Ms. Sun Shui, Mr. Zheng Lei and Ms. Lo Lai Lai Samantha.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, 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 Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Announcements" page for at least seven days from the date of its posting and on the website of the Company at www.polyfaircurtainwall.com.hk.