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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

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.*

THIRD QUARTERLY 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 nine months ended 31 December 2019 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

		Nine months ended 31 December	
		2019	2018
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	188,221	149,699
Cost of sales		<u>(174,381)</u>	<u>(135,920)</u>
Gross profit		13,840	13,779
Other income, gain and loss	4	81	334
Administrative expenses		<u>(10,137)</u>	(11,184)
Finance costs	5	<u>(4,258)</u>	<u>(3,802)</u>
Loss before taxation	6	(474)	(873)
Taxation	7	<u>2,222</u>	<u>(11)</u>
Profit (loss) for the period		<u>1,748</u>	<u>(884)</u>
Other comprehensive expenses			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>(10)</u>	<u>(35)</u>
Other comprehensive expenses for the period		<u>(10)</u>	<u>(35)</u>
Total comprehensive income (expenses) for the period		<u>1,738</u>	<u>(919)</u>
		HK cents	HK cents
Earnings (loss) per share – basic	9	<u>0.22</u>	<u>(0.11)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

	Attributable to owners of the Company					Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 31 March 2018 (Audited)	8,000	37,915	3,000	100	20,783	69,798
Adjustments upon adoption of HKFRS 9	—	—	—	—	(1,706)	(1,706)
At 1 April 2018 (Restated)	8,000	37,915	3,000	100	19,077	68,092
Loss for the period	—	—	—	—	(884)	(884)
Other comprehensive expenses for the period	—	—	—	(35)	—	(35)
Total comprehensive expenses for the period	—	—	—	(35)	(884)	(919)
At 31 December 2018 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>65</u>	<u>18,193</u>	<u>67,173</u>
At 31 March 2019 (Audited)	8,000	37,915	3,000	42	12,496	61,453
Adjustments upon adoption of HKFRS 16	—	—	—	—	(89)	(89)
At 1 April 2019 (Restated)	8,000	37,915	3,000	42	12,407	61,364
Profit for the period	—	—	—	—	1,748	1,748
Other comprehensive expenses for the period	—	—	—	(10)	—	(10)
Total comprehensive (expenses) income for the period	—	—	—	(10)	1,748	1,738
At 31 December 2019 (Unaudited)	<u>8,000</u>	<u>37,915</u>	<u>3,000</u>	<u>32</u>	<u>14,155</u>	<u>63,102</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 the issued share capital of Polyfair HK on 19 January 2018 pursuant to a group reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 25 May 2017 and its shares have been listed on GEM with effect from 23 February 2018 (the “**Listing Date**”). Its controlling shareholder is C.N.Y. Holdings Limited (“**CNY**”), a company incorporated in the British Virgin Islands (the “**BVI**”) and is held as to 83% by Mr. Chow Mo Lam (“**Mr. Chow**”) and 17% by Mr. Yu Lap On Stephen (“**Mr. Yu**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company acts as an investment holding company and its subsidiaries are principally engaged in construction and engineering business. The Company and all of the subsidiaries are collectively referred to as the “**Group**”.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HKS**”).

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 (“**HKS’000**”) except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 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 include Hong Kong Accounting Standards and interpretations. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those adopted in the annual report for the year ended 31 March 2019, 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 statement for the nine months ended 31 December 2019 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. REVENUE AND SEGMENT INFORMATION

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

The Group's operating activities are attributable to a single operating segment focusing on provision of construction contract work. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. being executive directors of the Company). The CODM regularly reviews revenue analysis by relevant types of properties for which construction contract work is provided, and considers them as one single operating segment since all revenue of the Group is generated from one single line of business. Other than revenue analysis, no operating results and no other discrete financial information is available for the assessment of performance.

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

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

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Recognised over time:		
Residential properties	37,860	68,010
Commercial properties	150,361	81,689
	<u>188,221</u>	<u>149,699</u>

Revenue during each of the reporting period is mainly derived from customers in Hong Kong. The Group's provision of construction services are made directly with customers which are mainly property developers (including subsidiaries of property developers) and main contractors from the private sector in Hong Kong.

Information about major customers

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

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A ¹	43,489	28,758
Customer B ²	N/A ⁴	43,560
Customer C ³	91,520	60,855
Customer D ²	33,569	N/A ⁴

¹ Revenue from commercial properties and residential properties contract works.

² Revenue from residential properties contract works.

³ Revenue from commercial properties contract works.

⁴ Revenue from these customers was less than 10% of the total revenue for the period.

4. OTHER INCOME, GAIN AND LOSS

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income	124	324
Exchange (loss) gain	(43)	10
	<u>81</u>	<u>334</u>

5. FINANCE COSTS

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and bank overdrafts	4,178	3,802
Interest on lease liabilities	80	–
	<u>4,258</u>	<u>3,802</u>

6. LOSS BEFORE TAXATION

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Directors' remuneration	4,005	3,821
Other staff costs	21,906	20,390
Retirement benefit schemes contributions for other staff	1,548	1,916
	<u>27,459</u>	<u>26,127</u>
Auditor's remuneration	750	750
Depreciation of property, plant and equipment	399	319
Depreciation of right-of-use assets	1,408	–
Short-term lease rentals in respect of rented premises	347	–
Operating lease rentals in respect of rented premises	–	1,464
	<u>2,804</u>	<u>2,543</u>

7. TAXATION

	Nine months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The tax (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax	116	–
PRC Enterprise Income Tax	4	11
	<u>120</u>	<u>11</u>
Tax refund from prior years		
Hong Kong Profits Tax	(2,342)	–
	<u>(2,222)</u>	<u>11</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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%.

For the nine months ended 31 December 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the nine months ended 31 December 2019, the Group received a tax refund of approximately HK\$2.3 million, which was arisen from prior years.

No provision for taxation in other jurisdictions has been made as the Group has no operation outside Hong Kong and the PRC.

8. DIVIDENDS

No dividends were paid, declared and proposed by the Company since its incorporation.

The Directors do not recommend the payment of a dividend for the nine months period ended 31 December 2019 (Nine months ended 31 December 2018: Nil).

9. EARNINGS (LOSS) PER SHARE

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

	Nine months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>1,748</u>	<u>(884)</u>
	Nine months ended 31 December	
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>800,000,000</u>	<u>800,000,000</u>

For the nine months ended 31 December 2019 and 2018, no diluted earnings (loss) per share were presented as there were no potential ordinary shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

As at 31 December 2019, the Group had 7 projects in progress with a total original contract sum of approximately HK\$440.0 million. Total revenue of approximately HK\$87.2 million was recognised during the Reporting Period.

During the Reporting Period, we were awarded two new projects, namely HKFYG and Sugar Street, with a total contract sum of approximately HK\$63.7 million.

OUTLOOK

The demand for façade and curtain wall works is driven by construction of residential and commercial buildings. The development of residential buildings in Hong Kong has been a major driver of façade and curtain wall works and the number grew from 17,791 new units in 2017 to 20,968 new units in 2018.

Another driver for the façade and curtain wall works industry is office buildings in Hong Kong where the Hong Kong Government puts effort in developing areas like Kowloon East as new business areas. According to The Hong Kong Property Review 2019 compiled by the Rating and Valuation Department, completions of Grade A offices were 178,500 m² in 2018, representing a slide of 4% from 2017. Majority of the new developments came from Kwun Tong and Eastern district, contributing 77% of the Grade A office completions. These buildings included both installation of curtain wall systems as the envelop system above the podium and the works for the building entrance, lobby and the associate stores.

Notwithstanding the negative impact from the economic slowdown riven by the PRC's 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 sales as to expand its customer base and achieve sustainable business growth and long-term benefits to its shareholders. We aim to be more competitive so as to compete for more sizeable and profitable projects.

Due to the recent outbreak of the novel coronavirus in the PRC, the building material supply from our major suppliers in the PRC is delayed and, thus, it would affect our work progress. The Group considers that it will affect our business and the Group is actively updating its project status with its customers. The Board will continue to assess the potential impact of the outbreak on the Group's operation and will closely monitor the Group's exposure to relevant risks and uncertainties.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately HK\$38.5 million or 25.7% from approximately HK\$149.7 million for the nine months ended 31 December 2018 to approximately HK\$188.2 million for the nine months ended 31 December 2019. Such increase was mainly attributable to the contribution from revenue of two sizable projects, namely Yeung Uk Road and Yue Man Square, increased by approximately HK\$37.9 million from approximately HK\$64.4 million for the nine months ended 31 December 2018 to approximately HK\$102.3 million for the nine months ended 31 December 2019.

Cost of Sales

The Group's cost of sales primarily consisted of building material costs, subcontracting charges, staff costs and other direct costs. The cost of sales increased to approximately HK\$174.4 million for the nine months ended 31 December 2019 from approximately HK\$135.9 million for the nine months ended 31 December 2018, representing an increase of approximately 28.3%. The Group's cost of sales increased along with the growth in revenue for the nine months ended 31 December 2019.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$0.06 million from approximately HK\$13.78 million for the nine months ended 31 December 2018 to approximately HK\$13.84 million for the nine months ended 31 December 2019. Despite the increase of the Group's gross profit, the Group's gross profit margin decreased from approximately 9.2% for the nine months ended 31 December 2018 to approximately 7.4% for the nine months ended 31 December 2019, representing a decrease of approximately 1.8 percentage points. The decrease was due to the facts that (i) the gross profit margin of new projects were lower than the projects for the nine months ended 31 December 2018 as a result of the intense competition in the market and other market players may submit tenders with lower price; and (ii) additional sub-contracting costs incurred when carrying out certain projects.

Other Income, Gain and Loss

Other income, gain and loss decreased by approximately HK\$0.3 million for the nine months ended 31 December 2019 mainly due to depreciation in the exchange rate against RMB.

Administrative Expenses

Administrative expenses of the Group decreased by approximately HK\$1.1 million from approximately HK\$11.2 million for the nine months ended 31 December 2018 to approximately HK\$10.1 million for the nine months ended 31 December 2019. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation, legal and professional fee, rental expenses and other administrative expenses. The decrease was mainly attributable to the decrease in staff costs of approximately HK\$1.0 million due to the decrease in unsuccessful tendering cost during the period.

Finance Costs

Finance costs increased from approximately HK\$3.8 million for the nine months ended 31 December 2018 to approximately HK\$4.3 million for the nine months ended 31 December 2019. The increase in finance costs was mainly attributable to the increase in bank borrowings to finance our business.

Taxation

The income tax credit for the nine months ended 31 December 2019 was approximately HK\$2.2 million as compared to the income tax expenses of approximately HK\$11,000 for the nine months ended 31 December 2018. Such change was mainly attributable to the tax refund of approximately HK\$2.3 million arisen from prior years.

Profit (loss) for the Period

Profit for the nine months ended 31 December 2019 was approximately HK\$1.7 million as compared to the loss of approximately HK\$0.9 million for the nine months ended 31 December 2018. Such change was mainly attributable to the increase in the income tax credit of approximately HK\$2.2 million and the decrease in administrative expenses of approximately HK\$1.1 million for the nine months ended 31 December 2019.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK\$56.0 million through share offer upon the Listing. After deducting the listing expenses, the net proceeds were approximately HK\$28.2 million.

The actual net proceeds from share offer was different from the estimate net proceeds of approximately HK\$34.2 million as set out in the Prospectus.

The Group adjusted the use of proceeds in the same manner and in the same proportion as shown in the Prospectus, which is (i) approximately 51.4% of the net proceeds, representing approximately HK\$14.5 million, would be used for strengthening our financial position to capture emerging business opportunities, including settling upfront costs of new projects and satisfying the surety bond requirement of the projects, (ii) approximately 39.8% of the

net proceeds, representing approximately HK\$11.2 million, would be used for expanding our operation teams, and (iii) approximately 8.8% of the net proceeds, representing approximately HK\$2.5 million, would be used for working capital and other general corporate purposes.

Analysis of the utilisation of the net proceeds from the Listing Date up to 31 December 2019 is set out below:

	Adjusted use of proceeds in the same manner as stated in the Prospectus (HK\$' million)	Planned use of net proceeds up to 31 December 2019 (HK\$' million)	Actual use of net proceeds up to 31 December 2019 (HK\$' million)
Strengthening our financial position:			
– Settling upfront costs of three new projects	9.2	9.2	9.2
– Satisfying the surety bond requirement of Yue Man Square	5.3	5.3	5.3
Expanding our operation teams	11.2	11.2	11.2
General working capital	2.5	2.5	2.5
	<hr/>	<hr/>	<hr/>
Total	28.2	28.2	28.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

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

As at 31 December 2019, the interests or short positions of the Directors and the chief executive 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 as recorded in the register required to be kept pursuant to section 352 of the SFO 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 CNY, 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 CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.

(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 CNY, 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 CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.

Save as disclosed above, as at 31 December 2019, 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 31 December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

Save as disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this announcement, as at 31 December 2019, so far as it was known to any Directors or chief executive of the Company, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who 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 shareholders	Capacity Position	Long/short	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:

1. 600,000,000 Shares are directly held by CNY, 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 CNY. Each of Mr. Chow, Mr. Yu and CNY is regarded as a controlling shareholder of the Company.
2. 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 31 December 2019, 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 INTERESTS

For the nine months ended 31 December 2019 and up to the date of this announcement, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE OPTION SCHEME

The Group had adopted a share option scheme for the purpose of providing incentives and rewards to participants for the contribution of the Group. Up to 31 December 2019, no share option had been granted.

CORPORATE GOVERNANCE

During the Reporting Period and up to the date of this announcement, the Company has applied the principles and code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. During the nine months ended 31 December 2019, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

COMPLIANCE ADVISER'S INTEREST

As at 31 December 2019 and up to the date of this announcement, as notified by the Company's compliance adviser, First Shanghai Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement dated 29 May 2019 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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 paragraph C.3 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. As at the date of this announcement, 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 nine months ended 31 December 2019 and this third quarterly results 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, 12 February 2020

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.

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