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GOLDEN FAITH GROUP HOLDINGS LIMITED

高豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2863)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Golden Faith Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 31 March 2020. These interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 March 2020

		Six months ended 31 March	
		2020	2019
	<i>NOTES</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	178,243	142,231
Costs of sales		(163,488)	(119,252)
Gross profit		14,755	22,979
Other income	4	2,387	633
Other gains and losses	4	74	(12)
Administrative expenses		(10,419)	(13,109)
Finance costs	5	(239)	–
Profit before taxation	7	6,558	10,491
Taxation	6	(897)	(3,023)
Profit and total comprehensive income for the period		5,661	7,468

		Six months ended 31 March	
		2020	2019
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit and total comprehensive income for the period attributable to:			
	Owners of the Company	5,632	7,469
	Non-controlling interest	29	(1)
		<u>5,661</u>	<u>7,468</u>
Earnings per share			
	Basic (<i>HK\$</i>)	0.010	0.014
	Diluted (<i>HK\$</i>)	0.010	0.014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

		31 March 2020 <i>HK\$'000</i> (Unaudited)	30 September 2019 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	3,048	3,029
Right-of-use assets		1,179	–
Deferred tax assets		307	307
Deposits and prepayments	12	328	328
		4,862	3,664
Current assets			
Trade receivables	11	–	33,400
Other receivables, deposits and prepayments	12	1,699	8,064
Contract assets	13	40,029	87,630
Pledged bank deposits		15,145	5,000
Short term bank deposits		43,574	7,080
Bank balances and cash		147,071	140,768
		247,518	281,942
Current liabilities			
Trade payables	14	11,606	38,000
Other payables and accrued charges	15	7,435	22,239
Contract liabilities	13	13,391	4,478
Bank borrowing		–	4,562
Lease liabilities		1,131	–
Tax liabilities		530	3,770
		34,093	73,049
Net current assets		213,425	208,893
Total assets less current liabilities		218,287	212,557

		31 March	30 September
		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Lease liabilities		69	–
Provisions		616	616
		685	616
Net assets		217,602	211,941
Capital and reserves			
Share capital	16	5,436	5,436
Reserves		212,119	206,487
Equity attributable to owners of the Company		217,555	211,923
Non-controlling interests		47	18
Total equity		217,602	211,941

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2020

1. GENERAL

The Company is incorporated and registered as an exempted company incorporated in the Cayman Islands on 12 October 2016 and its shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 August 2017. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is 15/F, Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong. The immediate and ultimate holding company of the Company is Greatly Success Investment Trading Limited (“**Greatly Success**”) which is incorporated in the Republic of Seychelles. The ultimate controlling party is Mr. Ko Chun Hay Kelvin (“**Mr. Ko**”).

The Company is an investment holding company. The Group’s principal activity is the provision of electrical engineering services in Hong Kong.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (the “**Accounting Guideline 5**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Group has consistently adopted all Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are effective for the Group’s accounting period beginning on 1 October 2016 for both current and prior period. In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Govern the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost which is generally based on fair value of the consideration given in exchange for goods or services.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKFRS 16	Leases
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 17 to the condensed consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Company revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services rendered, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

3. REVENUE AND SEGMENT INFORMATION

Segment information

The Group's reportable and operating segments during the six months ended 31 March 2020 are as follows:

- (i) Electric and maintenance engineering services; and
- (ii) Sales of electrical products.

The following is an analysis of the Group's revenue and results by operating and reportable segments during the six months ended 31 March 2020:

	Electric and maintenance engineering services <i>HK\$'000</i>	Sales of electrical products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Segment revenue	169,660	8,583	178,243
Segment results	9,110	24	9,134
Bank interest income			675
Administrative expenses			(3,214)
Finance cost			(37)
Profit before taxation			6,558

All of the segment revenue reported above is from external customers.

During the six months ended 31 March 2019, the Group's operations is solely derived from electric and maintenance engineering services in Hong Kong. Therefore, the Group presents only one single operating segment and no further analysis is presented.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies during the six months ended 31 March 2020 and 2019. Segment profit represents the profit earned by each segment excluding bank interest income, certain administrative expenses, finance cost and income tax expense. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

No analysis of segment asset and segment liability as at 31 March 2020 and 2019 is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented during the six months ended 31 March 2020.

Geographical information

As at 31 March 2020, the Group's property, plant and equipment amounting to HK\$3,048,000 (2019: HK\$2,675,000) and deposits of HK\$328,000 (2019: HK\$328,000) are all located in Hong Kong by geographical location of assets.

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 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Customer A	102,200	68,432
Customer B	63,677	–

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Other income:		
Interest income	840	633
Other	1,547	–
	<u>2,387</u>	<u>633</u>

	Six months ended 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Other gains and losses:		
Gain (loss) on disposal of property, plant and equipment	64	(1)
Net exchange gain (loss)	10	(11)
	<u>74</u>	<u>(12)</u>

5. FINANCE COSTS

	Six months ended 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Interest on bank borrowings	178	–
Lease interest	61	–
	<u>239</u>	<u>–</u>

6. TAXATION

	Six months ended 31 March	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Hong Kong Profits Tax	<u>897</u>	<u>3,023</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

7. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit before taxation for the period has been arrived at after charging:		
Staff cost:		
Directors' remuneration	2,522	1,907
Other staff costs	43,102	46,223
Contribution to retirement benefit schemes	1,325	1,815
	46,949	49,945
Depreciation of property, plant and equipment	292	267
Depreciation of right-of-use assets	1,151	–
Gain on disposal of property, plant and equipment	64	–
Minimum lease payments in respect of office premises	–	642

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings

	Six months ended 31 March	
	2020	2019
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	5,632	7,469

Number of shares

	Six months ended 31 March	
	2020	2019
	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	543,621	540,000
Shares deemed to be issued in respect of share option (<i>Note</i>)	–	8
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	543,621	540,008

Note: The effects of potential ordinary shares are anti-dilutive for the period ended 31 March 2020.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 31 March 2020, the Group paid approximately HK\$328,000 (2019: HK\$139,000) for acquisition of furniture, equipment and motor vehicle.

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 31 March 2020. The Directors of the Company do not recommend the payment of an interim dividend.

11. TRADE RECEIVABLES

The Group grants credit terms of 0 to 30 days to its customers from the date of invoices on progress payments of engineering service works. An ageing analysis of the trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	31 March 2020 HK\$'000 (Unaudited)	30 September 2019 HK\$'000 (Audited)
31–60 days	–	17,351
91–180 days	–	13,712
	<u>–</u>	<u>31,063</u>

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	31 March 2020 HK\$'000 (Unaudited)	30 September 2019 HK\$'000 (Audited)
Rental and other deposits	333	588
Deposits for materials purchase	1,376	6,563
Prepayments and others	318	1,241
	<u>2,027</u>	<u>8,392</u>
Total	<u>2,027</u>	<u>8,392</u>
Presented as non-current assets	328	328
Presented as current assets	1,699	8,064
	<u>2,027</u>	<u>8,392</u>
Total	<u>2,027</u>	<u>8,392</u>

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	31 March 2020 <i>HK\$'000</i> (Unaudited)	30 September 2019 <i>HK\$'000</i> (Audited)
Contract assets		
– Engineering service contracts	45,089	92,903
Less: allowance for credit losses	<u>(5,060)</u>	<u>(5,273)</u>
	<u>40,029</u>	<u>87,630</u>
Contract liabilities		
– Engineering service contracts	<u>13,391</u>	<u>4,478</u>

14. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services 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:

	31 March 2020 <i>HK\$'000</i> (Unaudited)	30 September 2019 <i>HK\$'000</i> (Audited)
0–30 days	8,104	30,705
31–60 days	3,400	7,273
61–90 days	82	2
Over 90 days	<u>20</u>	<u>20</u>
	<u>11,606</u>	<u>38,000</u>

15. OTHER PAYABLES AND ACCRUED CHARGES

	31 March 2020 <i>HK\$'000</i> (Unaudited)	30 September 2019 <i>HK\$'000</i> (Audited)
Accrued charges for engineering service	–	959
Retention payables (<i>Note</i>)	891	1,446
Accrued payroll and bonus	5,564	18,378
Other accrued charges	<u>980</u>	<u>1,456</u>
	<u>7,435</u>	<u>22,239</u>

Note: Retention payables to subcontractors of contract works are unsecured, interest-free and recoverable after the 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 completion of respective engineering service projects.

16. SHARE CAPITAL

	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2020	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 March 2020	<u>543,621</u>	<u>5,436</u>

17. SHARE-BASED PAYMENTS TRANSACTIONS

Movement of the Company's Share Options during the Reporting Period are as follows:

Details of the movements of share options during the six months period and outstanding as at 31 March 2020 are as follows:

Date of grant	Exercise price HK\$	Exercise period (both dates inclusive)	At 1 October 2019	Granted during the period	Lapsed during the period	At 31 March 2020
5 August 2019	0.50	5 August 2019 to 4 August 2025	5,370,000	–	–	5,370,000
19 March 2019	0.50	19 March 2019 to 18 March 2024	1,749,000	–	–	1,749,000

For the six months ended 31 March 2020, the Group did not grant any share options and no share option expenses (2019: HK\$1.1 million) had been recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 31 March 2020, the Group engaged in provision of electrical engineering services in Hong Kong and trading of electrical products in the PRC. Projects in progress encompassed governmental projects including a museum in Kowloon West. Revenue from projects in progress amounted to approximately HK\$169.7 million and revenue from the trading business amounted to approximately HK\$8.5 million.

FINANCIAL REVIEW

Results Analysis

The Group's revenue for the six months ended 31 March 2020 was approximately HK\$178.2 million, representing an increase of approximately HK\$36.0 million or 25.3% as compared to that in the corresponding period in 2019. The increase was the net effect of (i) an increase in revenue for projects in progress of approximately HK\$27.5 million; and (ii) an increase in revenue from the new trading business of approximately HK\$8.5 million.

The Group's gross profit for the six months ended 31 March 2020 decreased by approximately HK\$8.2 million which was mainly due to decrease in gross profit in a few projects for the reason of increasing subcontracting charge, the average gross profit ratio decreased to approximately 8.6% (2019: 16.2%).

Other income

For the six months ended 31 March 2020, other income increased by approximately HK\$1.5 million was mainly due to reversal of accrued charges for engineering service.

Administrative expenses

For the six months ended 31 March 2020, the administrative expenses decreased by approximately HK\$2.7 million as compared to the corresponding period in 2019 was mainly due to the net effect of a decrease in professional fee, construction consultancy service fee and share based payment expense and an increase in donation.

Finance costs

The Group's finance costs represented interest on bank borrowings and lease interest and the increase in amount was mainly due to interest on bank borrowings for the new trading business.

Profit and total comprehensive income

For the six months ended 31 March 2020, the decrease in profit and total comprehensive income of approximately HK\$1.9 million was the net effect of (i) a decrease in gross profit of approximately HK\$8.2 million; (ii) an increase in other income of approximately HK\$1.5 million; (iii) a decrease in administrative expenses of approximately HK\$2.7 million; and (iv) a decrease in taxation of approximately HK\$2.1 million.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Position and Capital Structure

As at 31 March 2020, the total number of issued shares of the Company was 543,621,000.

As at 31 March 2020, the Group has bank and cash balance of approximately HK\$205.8 million (2019: HK\$131.4 million).

The gearing ratio, defined as the ratio of total borrowings less bank and cash balances to equity attributable to owners of the Company was a net cash position (2019: net cash position).

Foreign Exchange Risk Management

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars. The Group is not significantly exposed to foreign exchange risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

The Group currently does not have a foreign currency hedging policy as the foreign exchange risk is considered to be insignificant. However, the management will continue to closely monitor the Group's foreign exchange risk exposure and will consider hedging significant foreign exchange exposure when necessary.

Charges on Assets

As at 31 March 2020, leasehold land and buildings with carrying amount of approximately HK\$1.9 million (2019: HK\$2.0 million) has been pledged to secure a banking facility granted to the Group.

Performance Guarantee

As at 31 March 2020, the Group did not enter into any performance guarantee (2019: HK\$19.1 million).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 75 long term employees (2019: 84) and 105 short term employees (2019: 129). The Group believes its success and long-term growth depend primarily on the quality, performance and commitment of its employees. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Discretionary bonuses and share options are offered to qualified employees based on individual and the Group's performance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises and warehouse. As at 31 March 2020, the Group's lease commitments amounted to approximately HK\$1.3 million (2019: approximately HK\$1.7 million). As at 31 March 2020, the Group did not have any capital commitments (2019: Nil).

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, the Group did not hold any significant investments as at 31 March 2020.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any significant material acquisitions or disposals during the six months ended 31 March 2020.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 March 2020.

PROSPECTS AND OUTLOOK

The Group continued to engage in providing large scale E&M engineering services in major construction projects mainly in the public sector in Hong Kong. Our project portfolio has encompassed hospitals, government office complex and museum in Kowloon West. By leveraging on our extensive experience in the field and well management in field work, the Group has successfully win a number of long-term contracts contributing to the Group's stable income and profits.

Looking into 2020, associated with global trade frictions, geopolitical uncertainties and the global epidemic of COVID-19 together with the civil unrest in Hong Kong, the business environment is difficult and construction projects may be slowed down which may affect the performance of the Group. The Group will look for diversification of business so as to minimize business risk. During the period, we has started a trading business in China. Bearing in mind the associated business risk, the Group may also consider other business opportunities which may be beneficial to the Group's development of its principal business.

CORPORATE GOVERNANCE PRACTICES

The Board has always recognized the importance of shareholders' accountability and transparency and is committed to maintaining high standards of corporate governance. The Company has, throughout the six months ended 31 March 2020, applied the principles and complied with the requirements of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules except for the following deviation.

Although the Company does not officially have a position of chief executive, the executive Director has effectively performed the role of chief executive leading the Board to work effectively. All important issues are discussed in the regular monthly Board meeting. The day-to-day management of the Group's business is handled by the executive Directors. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Group's business operations. The Board will continue to review the effectiveness of the Group's structure as business continues to grow in order to assess whether any changes, including the appointment of a chief executive, are necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, confirms that all Directors have complied with the Model Code throughout the six months ended 31 March 2020.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 31 March 2020 have not been audited, but have been reviewed by the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 31 March 2020.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, the board is not aware of any significant events after the reporting period that requires disclosure.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.goldenfaith.hk. The interim report of the Company for the six months ended 31 March 2020 will be dispatched to the shareholders of the Company and will be published on the same websites in due course.

By Order of the Board
Golden Faith Group Holdings Limited
Ko Chun Hay Kelvin
Executive Director

Hong Kong, 26 May 2020

As at the date of this announcement the executive Directors are Mr. Ko Chun Hay Kelvin and Mr. Li Kar Fai, Peter; the non-executive Directors are Mr. Yung On Wah and Ms. Wong Cheuk Wai Helena and the independent non-executive Directors are Mr. Chan Cho Chak, Mr. Chan Wing Fai, and Mr. Yeung Wai Lung.