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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)**

### **MAJOR AND CONNECTED TRANSACTION ACQUISITION OF TARGET COMPANY**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



#### **THE ACQUISITION**

The Board is pleased to announce that on 8 June 2020 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, as purchaser on the one part and the Vendor, as seller on the other part and the Target Company, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the Sale and Purchase Agreement for a consideration of HK\$53,800,000, which is partly settled by cash in the sum of HK\$24,800,000 and partly settled by allotment and issuance of Consideration Shares. The Target Company currently holds properties situated at (i) Shop B on Ground Floor, Man Kwong Court, No. 12 Smithfield, Kennedy Town, Hong Kong; and (ii) car parking space No. C47, Grand Excelsior, No. 83 Waterloo Road, Kowloon which are currently letting out. Further, the Target Company holds (i) the Club membership and (ii) the Vehicle.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) as defined in the Listing Rules in respect of the Acquisition is more than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

The Target Company is a connected person of the Company by virtue of the fact that (i) the Vendor is an executive Director; (ii) the Vendor currently holds approximately 56.57% of the total issued share capital of the Company; and (iii) the Target Company is wholly-owned by the Vendor and hence an associate of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

## **GENERAL**

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) the financial information of the Target Company and the Enlarged Group; (v) the valuation report of the Target Company; (vi) the valuation report of the Properties; and (vii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 July 2020, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

The Board is pleased to announce that on 8 June 2020 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, as purchaser on the one part and the Vendor, as seller on the other part and the Target Company, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the Sale and Purchase Agreement.

## THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

**Date:** 8 June 2020

**Parties:**

- (i) The Purchaser (as purchaser);
- (ii) the Vendor (as seller); and
- (iii) the Target Company

**Subject matter:** The Purchaser agreed to purchase, and the Vendor as legal and beneficial owner of the Sale Shares agreed to sell the Sale Shares. The Sale Shares representing the entire issued share capital of the Target Company free from all Encumbrances and together with all rights and title to and interests in the Sale Shares (including the right to receive all dividends and distributions declared, made or paid on or after the Completion).

**Consideration:** The consideration for the Acquisition payable by the Purchaser under the Sale and Purchase Agreement is a sum of HK\$53,800,000, which is partly settled by cash in the sum of HK\$24,800,000 and partly settled by allotment and issuance of 100,000,000 new Shares at the issue price of HK\$0.290 per Consideration Share, which represents:

- (a) an approximate 1.40% premium to HK\$0.286, being the average closing price of the Shares for the last 5 trading days up to and including 5 June 2020 immediately preceding the date of the Sale and Purchase Agreement; and
- (b) an approximate 1.75% premium to HK\$0.285, being the closing price of the Shares on 8 June 2020, being the date of the Sale and Purchase Agreement.

The Purchaser intends to make payment of HK\$24,800,000 by the Company's internal financial resources. The Consideration Shares will be issued and allotted by specific mandate which will be sought from the Independent Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of and permission to deal in the allotment of the Consideration Shares.

The Consideration was determined after arm's length negotiations with reference to, among others:

1. the indicative valuation of the Properties using the investment method as at 31 May 2020 by BMI Appraisals Limited, the independent valuer, at HK\$53,100,000;
2. the indicative valuation of the Club membership as at 31 May 2020 by BMI Appraisals Limited, at approximately HK\$1,700,000;
3. the unaudited net asset value of the Target Company as at 31 May 2020 in an amount of approximately HK\$8.8 million (excluding the waiver of an amount due to director by the Target Company in the sum of HK\$6.6 million as stated below); and
4. the reasons and benefits of entering into the Acquisition as stated under the section headed "Reasons for and benefits of entering into the Acquisition".

The issue price of HK\$0.290 per Consideration Share was determined after arm's length negotiations between the Vendor and the Company on the date of the Sale and Purchase Agreement with reference to the recent trading price of the Shares and the current market conditions. The Directors (except for the independent non-executive Directors who will express their views in the circular after taking into consideration the advice of the Independent Financial Adviser) consider that such issue price is fair and reasonable and that the issuance of the Consideration Share to settle part of the Consideration for the Acquisition is in the interests of the Company and the Shareholders as a whole.

**Payment Terms:**

Payment shall be made in the following installments:

1. The Purchaser shall pay the initial deposit of HK\$5,000,000 (the "**Deposit**") upon signing of the Sale and Purchase Agreement; and
2. The Purchaser shall pay the remaining cash consideration of HK\$19,800,000 and allot and issue the Consideration Shares on the Completion.

**Conditions Precedent:**

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions precedent:

- (a) the passing by the Independent Shareholders of the necessary resolution(s) in EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the granting of specific mandate to issue the Consideration Shares by the Independent Shareholders to the Board having been obtained at the EGM;
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares to be allotted and issued to the Vendor (or its nominee(s) as it may direct) thereunder, either unconditionally or subject only to conditions to which the Vendor, the Purchaser and the Company have no reasonable objection; and
- (d) all necessary consents, approvals, permissions, waivers, of the Stock Exchange, which are required for the execution and performance of the Sale and Purchase Agreement or Completion, having been obtained and not having been revoked, suspended or withdrawn prior to Completion.

The conditions above shall not be waived in any event. If any of the conditions set out in the Sale and Purchase Agreement is not fulfilled on or before 31 December 2020 (the “**Long Stop Date**”) (or such later date as agreed between the Parties), the Sale and Purchase Agreement and the transactions contemplated thereunder shall be terminated and the Deposit shall be refunded in full forthwith to the Purchaser without any accrued interest thereon.

**Completion:**

Completion of the Acquisition shall take place within 5 business days after the conditions precedent are fulfilled.

## INFORMATION ON THE PARTIES AND THE TARGET COMPANY

### Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability principally engaged in property investment. The Vendor is the ultimate beneficial owner and director of the Target Company.

As at the date of this announcement, the Target Company holds properties situated at (i) Shop B on Ground Floor Man Kwong Court, No. 12 Smithfield, Kennedy Town, Hong Kong, which is currently let to retail tenant for HK\$120,000 per month and renewed for HK\$115,000 per month commencing from 7 July 2020 for two years and (ii) car parking space No. C47, Grand Excelsior, No. 83 Waterloo Road, Kowloon is currently let to a tenant for HK\$3,500 per month (collectively the “**Properties**”). Further, the Target Company holds: (i) the Craigenower Cricket Club (the “**Club**”) membership in Hong Kong, which provide the holder, among other things, the right to use the facilities of the Club at discount and right to participate in activities organized by the Club; (ii) the legal ownership of a vehicle of Mercedes Benz model (the “**Vehicle**”); and (iii) the legal ownership of another car, which will be disposed of before Completion and would not form part of the Acquisition.

The financial information of the Target Company prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard for the two years ended 31 October 2019 and 2018 are set out below:

	For the financial year ended	
	31 October	
	2019	2018
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	1,440	1,420
Profit/(loss) before tax	6,662	(77)
Profit/(loss) after tax	6,634	(79)

The unaudited net asset value of the Target Company as at 31 May 2020 was approximately HK\$8.8 million (excluding the waiver of an amount due to director by the Target Company in the sum of HK\$6.6 million as stated below). The original acquisition costs of the Properties, the Club membership and the Vehicle are approximately HK\$16.6 million, HK\$0.2 million and HK\$0.3 million respectively.

As at 31 May 2020, there was an amount due to the director by the Target Company of HK\$6.6 million. The Vendor confirmed that all the amount due to the director by the Target Company will be waived in full upon Completion.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

## Information of the Vendor

The Vendor is a Hong Kong merchant, who is also an executive Director and currently holds approximately 56.57% of the total issued share capital of the Company.

## Information of the Company and the Purchaser

The Group is principally engaged in providing large scale electric and maintenance engineering services in major construction projects both in the private and public sector in Hong Kong. The Purchaser is a wholly-owned subsidiary of the Company.

The Consideration Shares, represents (i) approximately 18.40% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 15.54% of the total number of issued Shares as enlarged by the issue of the Consideration Shares (assuming that there is no other change in the number of issued Shares between the date of this announcement and before Completion). The aggregate nominal value of the Consideration Shares is HK\$1,000,000.

Assuming there is no acquisition and/or disposal of Shares, no exercise of share options from the date of this announcement up to the date of Completion and that no further Shares will be issued or repurchased, the following table shows the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately upon Completion:

Name of Shareholder	Immediately prior to Completion		Immediately upon Completion	
	No. of shares held	Approximate percentage of total issued shares	No. of shares held	Approximate percentage of total issued shares
The Vendor ( <i>Note 1</i> )	307,505,000	56.57%	407,505,000	63.31%
Mr. Yung On Wah ( <i>Note 2</i> )	36,805,000	6.77%	36,805,000	5.72%
Mr. Li Kar Fai, Peter ( <i>Note 3</i> )	3,621,000	0.66%	3,621,000	0.56%
Other public shareholders	195,690,000	36.00%	195,690,000	30.41%
Total:	<u>543,621,000</u>	<u>100%</u>	<u>643,621,000</u>	<u>100%</u>

### Notes:

- 302,747,000 Shares are held by Greatly Success Investment Trading Limited which is wholly-owned by Mr. Ko Chun Hay Kelvin. Mr. Ko Chun Hay Kelvin is an executive Director.
- 32,500,000 Shares are held by Superior Ace Investments Limited which is wholly-owned by Mr. Yung On Wah. Mr. Yung On Wah is a non-executive Director.
- Mr. Li Kar Fai, Peter is an executive Director.



## **REASONS AND BENEFITS OF THE ACQUISITION**

As disclosed in the annual report of the Company for the year ended 30 September 2019, the Company will explore opportunities in related business sector and diversify its business so as to minimise business risk and maximize return of Shareholders. The Company has considered various business opportunities in the past year and had decided that the Acquisition, which mainly consists of the Properties in Hong Kong, will be a good opportunity for the Company to diversify the Group's reliable source of revenue through property investment and rental proceeds and to strengthen the Company's asset base as well.

Insofar as the Club membership and the Vehicle are concerned, the Club membership is a casual and convenient venue for Directors to hold private meetings with clients, potential or existing business partners and/or potential investors of the Company. The Vehicle is a complimentary asset attached with the Target Company without any cost consideration. The Company intends to use the Vehicle for the daily travelling usage of the management of the Group and from time to time providing transportation for potential clients of the Group.

Accordingly, the Directors (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will express their views after taking into consideration the advice of the Independent Financial Adviser) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable, the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Mr. Ko Chun Hay Kelvin being the sole shareholder and director of the Target Company, has therefore abstained from voting on the relevant board resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated under the Acquisition.

The Vendor is interested in 307,505,000 Shares, representing approximately 56.57% of the total issued share capital of the Company as at the date of this announcement. In view of the Vendor's interests in the Acquisition, the Vendor and his associates will abstain from voting at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution of the Company in approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) as defined in the Listing Rules in respect of the Acquisition is more than 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.



The Target Company is a connected person of the Company by virtue of the fact that (i) the Vendor is an executive Director; (ii) the Vendor currently holds approximately 56.57% of the total issued share capital of the Company; and (iii) the Target Company is wholly-owned by the Vendor and hence an associate of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, which comprises Mr. Yeung Wai Lung, Mr. Chan Cho Chak and Mr. Chan Wing Fai, all being the independent non-executive Directors, has been established by the Company to provide recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **GENERAL**

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) the financial information of the Target Company and the Enlarged Group; (v) the valuation report of the Target Company; (vi) the valuation report of the Properties; and (vii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 July 2020, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

**Completion is subject to fulfilment of the conditions precedents of the Sale and Purchase Agreement, and the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company in accordance with the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Golden Faith Group Holdings Limited (高豐集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement, which shall take place within 5 business days after the conditions precedent are fulfilled
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$24,800,000 and Consideration Shares
“Consideration Shares”	100,000,000 new Shares having a total cash value equivalent to HK\$29,000,000 based on an issue price of HK\$0.290 per Consideration Share
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Encumbrances”	rights of pre-emption, options, liens, claims, equities, charges, mortgages, pledges, third-party rights or interests of any nature
“Enlarged Group”	the Group as enlarged by the Acquisition immediately upon Completion
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Opus Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are independent of and have no interest in the transactions contemplated under the Sale and Purchase Agreement
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended from time to time
“Purchaser”	KF Strategic Capital Limited (高豐策略資本有限公司), a company incorporated under the laws of Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the Sales and Purchase agreement dated 8 June 2020 entered into between the Vendor, the Target Company and the Purchaser for the sale and purchase of the Sale Shares
“Sale Shares”	800,000 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, modified and supplemented from time to time

“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Richfield International Enterprise Limited (盈富國際企業有限公司), a company incorporated under the laws of Hong Kong with limited liability
“Vendor”	Mr. Ko Chun Hay Kelvin (高浚晞)
“%”	per cent

By Order of the Board  
**Golden Faith Group Holdings Limited**  
**Li Kar Fai, Peter**  
*Executive Director*

Hong Kong, 8 June 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.*