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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 ANNUAL AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Golden Faith Group Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 September 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	252,771	378,464
Costs of sales		(199,720)	(317,431)
 Gross profit		53,051	61,033
Other income	4	5,949	2,669
Other gains and losses	4	505	268
Impairment losses reversed (recognised) on trade receivables and contract assets		66	(4,491)
Administrative expenses		(29,686)	(31,994)
Finance costs	5	(267)	(3)
 Profit before taxation	6	29,618	27,482
Income tax expense	7	(6,182)	(5,576)
 Profit and total comprehensive income for the year		<u>23,436</u>	<u>21,906</u>
 Profit and total comprehensive income for the year attributable to:			
Owners of the Company		23,150	21,908
Non-controlling interests		286	(2)
		<u>23,436</u>	<u>21,906</u>
 Earnings per share			
Basic (HK\$)	9	0.04	0.04
Diluted (HK\$)	9	0.04	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		3,107	3,029
Right-of-use assets		1,666	–
Investment properties		53,000	–
Deferred tax assets		280	307
Deposits		422	328
		58,475	3,664
Current assets			
Trade receivables	10	594	33,400
Other receivables, deposits and prepayments	11	6,135	8,064
Contract assets	12	51,738	87,630
Financial assets at fair value through profit or loss (“FVTPL”)		1,324	–
Pledged bank deposits		–	5,000
Short term bank deposits		–	7,080
Cash and cash equivalent		197,084	140,768
		256,875	281,942
Current liabilities			
Trade payables	13	8,366	38,000
Other payables and accrued charges	14	28,115	22,239
Contract liabilities	12	5,485	4,478
Lease liabilities		1,136	–
Bank borrowing	15	–	4,562
Tax liabilities		5,847	3,770
		48,949	73,049
Net current assets		207,926	208,893
Total assets less current liabilities		266,401	212,557

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Provisions		296	616
Rental deposits received		345	–
Lease liabilities		530	–
		<hr/>	<hr/>
		1,171	616
Net assets		<hr/> 265,230	<hr/> 211,941
Capital and reserves			
Share capital	16	6,436	5,436
Reserves		<hr/> 258,490	<hr/> 206,487
		<hr/>	<hr/>
Equity attributable to owners of the Company		264,926	211,923
Non-controlling interests		<hr/> 304	<hr/> 18
		<hr/>	<hr/>
Total equity		<hr/> 265,230	<hr/> 211,941

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Golden Faith Group Holdings Limited (the “**Company**”) is incorporated and registered as an exempted company in the Cayman Islands on 12 October 2016 and its shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The address of the registered office and principal place of business are stated in the “Corporate Information” section of the annual report. The immediate and ultimate holding company of the Company is Greatly Success Investment Trading Limited, which is incorporated in the Republic of Seychelles.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 Lease (“**HKFRS 16**”) for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standard (“**HKAS**”) 17 Leases (“**HKAS 17**”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 October 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 October 2019. As at 1 October 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial recognition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 6.78%.

**At 1 October
2019
HK\$'000**

Operating lease commitments disclosed as at 30 September 2019	<u>2,227</u>
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 October 2019	2,159
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	<u>(930)</u>
Lease liabilities upon application of HKFRS 16 as at 1 October 2019	<u>1,229</u>
Analysed as	
Current	928
Non-current	<u>301</u>
	<u>1,229</u>

The carrying amount of right-of-use assets as at 1 October 2019 comprises the following:

**At 1 October
2019
HK\$'000**

Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	1,229
Add: Adjustments on rental deposits at 1 October 2019 (<i>note</i>)	<u>36</u>
	<u>1,265</u>

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under deposits. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$36,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 October 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 September 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 October 2019 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets	–	1,265	1,265
Deposits	328	(36)	292
Current liabilities			
Lease liabilities	–	928	928
Non-current liabilities			
Lease liabilities	–	301	301

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 September 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 October 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Types of goods or services		
– Electric and maintenance engineering services in Hong Kong	244,209	376,642
– Sales of electrical products in the People's Republic of China (“PRC”)	<u>8,562</u>	<u>1,822</u>
	<u>252,771</u>	<u>378,464</u>
Timing of revenue recognition		
– A point in time	8,562	1,822
– Over time	<u>244,209</u>	<u>376,642</u>
	<u>252,771</u>	<u>378,464</u>

Segment information

Information reported to the executive directors of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable and operating segments during the year ended 30 September 2020 and 2019 are therefore 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:

For the year ended 30 September 2020

	Electric and maintenance engineering services HK\$'000	Sales of electrical products HK\$'000	Consolidated HK\$'000
Revenue			
Segment revenue	244,209	8,562	252,771
Segment results	36,158	22	36,180
Interest income			1,360
Rental income from investment properties			115
Change in fair value of investment properties			(100)
Change in fair value of financial assets at FVTPL			336
Administrative expenses			(8,208)
Finance costs			(65)
Profit before taxation			29,618

For the year ended 30 September 2019

	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	<u>376,642</u>	<u>1,822</u>	<u>378,464</u>
Segment results	<u>36,717</u>	<u>30</u>	<u>36,747</u>
Interest income			1,229
Administrative expenses			<u>(10,494)</u>
Profit before taxation			<u>27,482</u>

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies during the year ended 30 September 2020 and 2019. Segment profit represents the profit earned by each segment excluding interest income, rental income from investment properties, fair value change of investment properties, fair value change of financial assets at FVTPL, certain administrative expenses, certain finance costs 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 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.

Other segment information

	Electric and maintenance engineering services <i>HK\$'000</i>	Sales of electrical products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results:				
<i>For the year ended 30 September 2020</i>				
Interest income	–	–	1,360	1,360
Depreciation of property, plant and equipment	562	–	46	608
Depreciation of right-of-use assets	175	–	799	974
Impairment losses reversed on trade receivables	56	–	–	56
Impairment losses reversed on contract assets	10	–	–	10
Recovery of written off on other receivables	150	–	–	150
Decrease in fair value of investment properties	–	–	100	100
Increase in fair value of financial assets at FVTPL	–	–	336	336
Gain on disposal of property, plant and equipment	64	–	–	64
Finance costs	24	178	65	267
<i>For the year ended 30 September 2019</i>				
Interest income	–	–	1,229	1,229
Depreciation of property, plant and equipment	610	–	18	628
Impairment losses recognised on trade receivables	410	–	–	410
Impairment losses recognised on contract assets	4,081	–	–	4,081
Recovery of written off on other receivables	300	–	–	300
Loss on disposal of property, plant and equipment	8	–	–	8
Finance costs	–	3	–	3

Geographical information

Geographical information on the Group's revenue are disclosed under the sub-heading of "Revenue" in this note. The Group's property, plant and equipment of HK\$3,107,000 (2019: HK\$3,029,000), right-of-use assets amounting to HK\$1,666,000 (2019: N/A), investment properties of HK\$53,000,000 (2019: nil) and deposits of HK\$422,000 (2019: HK\$328,000) as at 30 September 2020 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 year is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	99,985	206,735
Customer B	98,595	106,840
Customer C	30,615	51,934

Revenue A, B and C is derived from Electric and maintenance engineering services segment.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Other income:		
Bank interest income	1,336	1,229
Interest income from rental deposits	24	–
Government grant (<i>note</i>)	3,671	–
Rental income from investment properties	115	–
Others	803	1,440
	5,949	2,669

Note: The government grant represented the government subsidy received under Employment Support Scheme and the Employment Support Scheme for the construction section (casual employees) launched by the Government of the Hong Kong Special Administrative Region.

Other gains and losses:

Change in fair value of investment properties	(100)	–
Change in fair value of financial assets at FVTPL	336	–
Recovery of written off on other receivables	150	300
Gain (loss) on disposal of property, plant and equipment	64	(8)
Net exchange gain (loss)	55	(24)
	505	268

5. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	89	–
Interest on bank borrowing	<u>178</u>	3
	<u>267</u>	<u>3</u>

6. PROFIT BEFORE TAXATION

	2020 HK\$'000	2019 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration	7,868	9,162
Other staff costs	<u>55,281</u>	40,067
Contributions to retirement benefits schemes for other staff	<u>979</u>	1,218
	<u>64,128</u>	<u>50,447</u>
Auditor's remuneration	950	1,200
Depreciation of property, plant and equipment	608	628
Depreciation of right-of-use assets	974	N/A
Gross rental income from investment properties	(115)	–
Less: Direct operating expense arising from investment properties that generated rental income	<u>1</u>	<u>–</u>
	<u>(114)</u>	<u>–</u>

7. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax:		
– Current year	6,188	5,292
– (Over) under-provision in prior years	<u>(40)</u>	<u>343</u>
	<u>6,148</u>	<u>5,635</u>
PRC Enterprise Income Tax:		
– Current year	7	2
Deferred taxation charge (credit) for the year	<u>27</u>	<u>(61)</u>
	<u>6,182</u>	<u>5,576</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced 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 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualified for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiary is 25%.

8. DIVIDEND

The directors of the Company do not recommend the payment of a final dividend for the year ended 30 September 2020 (2019: nil).

9. 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

	2020 HK\$'000	2019 HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>23,150</u>	<u>21,908</u>

Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	559,864	541,448
Effect of dilutive potential ordinary shares – share options	146	54
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>560,010</u>	<u>541,502</u>

10. TRADE RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Gross trade receivables	597	33,459
Less: allowance for credit losses	(3)	(59)
Total	594	33,400

As at 1 October 2018, trade receivables from contracts with customers amounted to HK\$46,581,000.

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 and 90 days to its customer from the date of invoices on sales of electrical products. An ageing analysis of the trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, is as follows:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	–	31,809
31 – 60 days	–	306
61 – 90 days	511	1,285
91 – 180 days	83	–
	594	33,400

As at 30 September 2019, entire trade receivables were not past due at the reporting date.

As at 30 September 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$594,000 which are past due as at the reporting date. Out of the past due balances, approximately HK\$83,000 has been past due 90 days or more and is not considered as in default. The directors of the Company do not consider these receivables as credit-impaired as the customer(s) has a historical record of having overdue balance but also settling the outstanding balances in full after due dates, taking into account available reasonable and supportive forward-looking information relevant to the customer without undue cost or effort.

The Group did not hold any collateral over these balances.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Rental and other deposits	469	588
Deposits for trading products/materials purchase	2,528	6,563
Prepayments and others	<u>3,560</u>	1,241
Total	<u><u>6,557</u></u>	8,392
Presented as non-current assets	422	328
Presented as current assets	<u>6,135</u>	8,064
Total	<u><u>6,557</u></u>	8,392

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Contract assets		
– Engineering service contracts	57,001	92,903
Less: allowance for credit losses	<u>(5,263)</u>	(5,273)
	<u><u>51,738</u></u>	87,630
Contract liabilities		
– Engineering service contracts	<u>5,485</u>	4,478

As at 1 October 2018, contract assets and contract liabilities amounted to HK\$65,384,000 and HK\$6,888,000 respectively.

The Group has rights to considerations from customers for the electric and maintenance engineering services. Contract assets arise when the Group has right to consideration for completion of electric and maintenance engineering services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Retention monies withheld by customers of electric and maintenance engineering services 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 electric and maintenance engineering services. The retention money, included in contract assets and contract liabilities, is to be settled, based on the completion of defects liability period, at the end of each reporting period as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	20,422	20,588
After one year	23,301	24,478
Total	43,723	45,066

The Group classified certain of contract assets, which are expected to be recovered more than 12 months, as current because the Group expects to realise them in its normal operating cycle.

For the contract liabilities as at 1 October 2018 and 30 September 2019 and 2020, the entire balances were recognised as revenue within twelve months after the end of each reporting period.

13. 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:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	7,100	30,705
31 – 60 days	1,266	7,273
61 – 90 days	–	2
Over 90 days	–	20
	8,366	38,000

14. OTHER PAYABLES AND ACCRUED CHARGES

	2020 HK\$'000	2019 HK\$'000
Accrued charges for engineering service contracts	9,897	959
Retention payables (<i>note</i>)	1,279	1,446
Accrued payroll and bonus	15,533	18,378
Other accrued charges	<u>1,406</u>	<u>1,456</u>
	<u>28,115</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.

15. BANK BORROWING

At 30 September 2019, RMB4,150,000 (equivalent to HK\$4,562,000) of bank borrowing was secured, repayable within one year and carried interest at benchmark interest rate as stipulated by the People's Bank of China plus 0.585% per annum.

16. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2018, 30 September 2019 and 2020	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 October 2018	540,000,000	5,400
Issue of shares upon exercise of share options (<i>note i</i>)	<u>3,621,000</u>	<u>36</u>
At 30 September 2019	<u>543,621,000</u>	<u>5,436</u>
Issue of shares upon acquisition of a subsidiary (<i>note ii</i>)	<u>100,000,000</u>	<u>1,000</u>
At 30 September 2020	<u>643,621,000</u>	<u>6,436</u>

Notes:

- (i) During the year ended 30 September 2019, a total of 3,621,000 new ordinary shares of HK\$0.01 each were issued upon exercises of the share options of the Company. The new shares rank pari passu with the existing shares in all respects.
- (ii) During the year ended 30 September 2020, a total of 100,000,000 new ordinary shares of HK\$0.01 each were issued upon acquisition of a subsidiary. The new shares rank pari passu with the existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 30 September 2020 (“**FY2020**”), the Group worked on two business segments including electric and maintenance (E&M) engineering service business and trading business. The Group continued to engage in providing large scale E&M engineering services in major construction projects both in the private and public sector in Hong Kong. Our project portfolio has encompassed hospitals, government office complex and departmental headquarter and museum in Kowloon West. We have focused on three major projects during the year which has contributed approximately HK\$213.3 million, accounted for 87.3% of total revenue of E&M engineering service business for FY2020. During FY2020, revenue from the trading business amounted to approximately HK\$8.6 million.

The Group is also engaged in property investment. During FY2020, rental income amounted to approximately HK\$0.1 million.

FINANCIAL REVIEW

Results Analysis

The Group’s revenue in FY2020 was approximately HK\$252.8 million, representing a decrease of approximately HK\$125.7 million or 33.2% as compared to that in the year ended 30 September 2019 (“**FY2019**”). During FY2020, the Group focused on the completion of the three projects on hand, of which major works have been substantially completed in last year. New projects mainly starts in the fourth quarter of the year. Consequently, the Group’s revenue has dropped.

The Group’s gross profit for FY2020 decreased by approximately HK\$8.0 million which was mainly due to decrease in revenue from E&M engineering service business. During FY2020, the Group focused on the completion of the three projects on hand, of which major works have been substantially completed in last year. New projects mainly starts in the fourth quarter. Consequently, the Group’s revenue has dropped. The Group’s gross profit ratio has increased from 16.1% FY2019 to 21.0% FY2020 due to decrease in material, labour cost and subcontracting charge for tight control over costs.

Other income

The Group recorded other income of approximately HK\$5.9 million, representing an increase of approximately HK\$3.3 million as compared to that in FY2019. The increase was due to government subsidy received under Employment Support Scheme for businesses being affected by COVID-19.

Impairment losses reversed on trade receivables and contract assets

The Group reversed an amount of approximately HK\$0.1 million on impairment losses on trade receivables and contract assets (2019: recognised impairment losses of approximately HK\$4.5 million).

Administrative expenses

In FY2020, administrative expenses decreased by approximately HK\$2.3 million as compared to that in FY2019, which was mainly due to decrease in professional fee and construction consultancy service fee.

Profit and total comprehensive income

The increase in profit and total comprehensive income of approximately HK\$1.5 million was mainly arose from the net effect of a decrease in gross profit of approximately HK\$8.0 million, a decrease in impairment losses on trade receivables and contract assets of approximately HK\$4.6 million, a decrease in administrative expenses of approximately HK\$2.3 million, an increase in other gains and losses of approximately HK\$3.3 million and an increase in income tax expense of approximately HK\$0.6 million.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Position and Capital Structure

As at 30 September 2020, the Group has bank and cash balances, pledged bank deposits and short term bank deposits of approximately HK\$197.1 million (2019: HK\$152.8 million).

As at 30 September 2020, there was no bank borrowing (2019: HK\$4.6 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 currency 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 currency 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 30 September 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.

PROSPECTS AND OUTLOOK

Associated with global trade frictions, geopolitical uncertainties, the past year's civil unrest in Hong Kong together with the global lockdown with the epidemic of COVID-19, construction projects are expected to slow down in coming days. The Group will continue to explore opportunities in other business sectors and to diversify its business so as to minimise business risk and maximise return of shareholders.

In June 2020, the Group has acquired certain commercial properties in Hong Kong for investment purpose. This was a good opportunity for the Group to diversify source of revenue through property investment by receiving rental proceeds and to strengthen the Group's asset base as well.

After year end date, in October 2020, the Group purchased the exclusive development, production and distribution rights of a drug Ad-SGE-REIC/dkk-3 (code: MTG-201), for registration in the Greater China Region. The Drug is a product from the development of cancer therapeutics by gene therapy, using Reduced Expression in Immortalized Cell ("REIC") gene, which was discovered in Japan in 2000. This new drug project is a good opportunity for the Group to enter into the biomedical field.

HUMAN RESOURCES

As at 30 September 2020, the Group had a total of 138 employees (2019: 297 employees). 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activities of the Group are provision of electrical and extra-low voltage system works in Hong Kong and trading of electrical products in the PRC. The major resources deployed are purchase of material and labour which do not give rise to any material adverse influence to the environment. The Group will take appropriate measures and action as and when necessary to deal with or otherwise minimize any possible emission of hazardous materials which may arise from its business activities.

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 FY2020.

CORPORATE GOVERNANCE

The Company has, throughout the FY2020, applied the principles and complied with the requirements of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) except for the following deviations.

Code Provision A.1.3

Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days’ notice in order to enable the Board members to react timely and carry out expeditious decision making in respect of certain business matters which were significant to the Group’s business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code Provision A.2.1

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Although the Company does not officially have a position of chief executive, the executive Directors have 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.

Code Provision A.1.8

Code provision A.1.8 requires that there should be appropriate insurance cover in respect of legal action against its directors. The Company has not made appropriate insurance cover as it is in the Director’s opinion that the possibility of legal action against the Directors is remote.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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, obtained written confirmations from all Directors that they have fully complied with the Model Code throughout the FY2020.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the FY2020, including the accounting principles and practices adopted by the Group.

EVENT AFTER THE REPORTING PERIOD

On 20 October 2020, the Company entered into a placing agreement with an independent third party to place 12,600,000 new shares of the Company at the price of HK\$0.47 per share. The placing is not yet completed up to the date of this announcement.

On the same date, the Company has entered into an acquisition agreement with an independent third party (the “**Vendor**”) to acquire 67% interests in development and research, improvement, mixing, synthesis, manufacturing, production, agency, sales, distribution, retail and/or the use of the drug named “Ad-SGE-REIC/dkk-3” in the PRC, Hong Kong and Macau and related technical services to be provided by the Vendor for further development of the drug named above in registration of commencement of Phase I and Phase II clinical trials in the National Medical Products Administration of the PRC with an aggregated consideration of HK\$38,070,000. The consideration is settled by the issuance of 81,000,000 new shares of the Company. Further details of the acquisition are disclosed in the announcement of the Company dated 20 October 2020. The acquisition is not yet completed up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of a final dividend for FY2020 (FY2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements of shareholders of the Company to attend and vote at the AGM to be held on Wednesday, 10 February 2021, the register of members of the Company will be closed from Monday, 8 February 2021 to Wednesday, 10 February 2021, both days inclusive, during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 5 February 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the FY2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report of the Company for the FY2020 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, 23 December 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.