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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 2022**

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 2022 (the “**Period**”). 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 2022

	<i>NOTES</i>	Six months ended 31 March	
		2022	2021
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	3	148,144	103,577
Costs of sales		<u>(123,464)</u>	<u>(89,588)</u>
Gross profit		24,680	13,989
Other gains and losses	4	(1,955)	2,181
Administrative expenses		(13,022)	(12,347)
Finance costs	5	<u>(69)</u>	<u>(55)</u>
Profit before taxation	6	9,634	3,768
Taxation	7	<u>(1,617)</u>	<u>(692)</u>
Profit and total comprehensive income for the period		<u>8,017</u>	<u>3,076</u>

Six months ended 31 March

		2022	2021
	<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		6,755	2,638
Non-controlling interests		<u>1,262</u>	<u>438</u>
		<u>8,017</u>	<u>3,076</u>
Earnings per share	8		
Basic (<i>HK\$</i>)		<u>0.010</u>	<u>0.004</u>
Diluted (<i>HK\$</i>)		<u>0.010</u>	<u>0.004</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

		31 March	30 September
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	9	1,824	1,999
Right-of-use assets		2,174	3,032
Investment properties		54,970	54,970
Deferred tax assets		132	187
Deposits and prepayments	12	<u>332</u>	<u>331</u>
		<u>59,432</u>	<u>60,519</u>
Current assets			
Trade receivables	11	0	24,132
Other receivables, deposits and prepayments	12	11,674	1,696
Contract assets	13	111,289	119,523
Financial assets at fair value through profit or loss (“FVTPL”)		9,480	2,348
Tax recoverable		0	448
Short term bank deposits		26,659	5,220
Bank balances and cash		<u>107,003</u>	<u>107,011</u>
		<u>266,105</u>	<u>260,378</u>
Current liabilities			
Trade payables	14	13,344	9,210
Other payables and accrued charges	15	8,280	12,500
Contract liabilities	13	1,320	1,663
Lease liabilities		1,065	1,904
Tax liabilities		<u>11</u>	<u>5,404</u>
		<u>24,020</u>	<u>30,681</u>
Net current assets		<u>242,085</u>	<u>229,697</u>
Total assets less current liabilities		<u>301,517</u>	<u>290,216</u>

		31 March 2022	30 September 2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Provisions		1,071	1,070
Rental deposits received		349	345
Lease liabilities		1,123	1,123
		<u>2,543</u>	<u>2,538</u>
Net assets		<u>298,974</u>	<u>287,678</u>
Capital and reserves			
Share capital	<i>16</i>	6,657	6,562
Reserves		290,475	280,556
Equity attributable to owners of the Company		297,132	287,118
Non-controlling interests		1,842	560
Total equity		<u>298,974</u>	<u>287,678</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 March 2022

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 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 Period are as follows:

- (i) Electric and maintenance engineering services; and
- (ii) Rental income from investment properties.

The following is an analysis of the Group's revenue and results by operating and reportable segments during the Period:

	Electric and maintenance engineering services HK\$'000 (Unaudited)	Rental income HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Revenue			
Segment revenue	147,431	713	148,144
Segment results	15,671	713	16,384
Bank interest income			64
Other gains and losses			(2,132)
Administrative expenses			(4,652)
Finance costs			(30)
Profit before taxation			9,634

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

During the Period, the Group's operations are derived from electric and maintenance engineering services and rental income from investment properties in Hong Kong. Therefore, the Group presents two operating segment.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies during the Period. Segment profit represents the profit earned by each segment excluding bank interest income, other gains and losses, certain administrative expenses, 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 as at 31 March 2022 and 31 March 2021 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 Period.

Geographical information

As at 31 March 2022, the Group's property, plant and equipment amounting to HK\$1,824,000 (2021: HK\$1,999,000) and deposits of HK\$332,000 (2021: HK\$331,000) 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	69,745	63,300
Customer B	65,292	24,469

4. OTHER GAINS AND LOSSES

	Six months ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income	68	104
Employment support scheme	0	4,639
(Loss)/gain on fair value adjustment of financial assets	(2,131)	0
Net exchange gain (loss)	(26)	1
Others	134	(2,563)
	<u>134</u>	<u>(2,563)</u>
	<u>(1,955)</u>	<u>2,181</u>

5. FINANCE COSTS

	Six months ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	0	9
Lease interest	69	46
	<u>69</u>	<u>46</u>
	<u>69</u>	<u>55</u>

6. PROFIT BEFORE TAXATION

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation for the period has been arrived at after charging:		
Staff cost:		
Directors' remuneration	3,529	3,485
Other staff costs	64,256	39,317
Contribution to retirement benefit schemes	2,201	1,505
	<u>69,986</u>	<u>44,307</u>
Depreciation of property, plant and equipment	352	314
Depreciation of right-of-use assets	858	733
(Loss)/gain on disposal of property, plant and equipment	<u>0</u>	<u>(8)</u>

7. TAXATION

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>1,617</u>	<u>692</u>

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2.0 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

8. EARNINGS PER SHARE

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

	Six months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share and total comprehensive income for the period attributable to owners of the Company	<u>6,755</u>	<u>2,638</u>

Number of shares:

	Six months ended 31 March	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	659,028	656,191
Shares deemed to be issued in respect of share option (<i>Note</i>)	66	9,699
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	659,094	665,890
	<hr/> <hr/>	<hr/> <hr/>

Note: The effects of potential ordinary shares are anti-dilutive for the period ended 31 March 2022.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group paid approximately HK\$177,000 (2021: HK\$1,381,000) for acquisition of furniture, equipment and motor vehicle.

10. DIVIDENDS

No dividends were paid, declared or proposed during the Period. 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. During the Period, all of the trade receivables had been settled.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Rental and other deposits	338	503
Deposits for materials purchase	10,860	593
Prepayments and others	<u>808</u>	<u>931</u>
	<u>12,006</u>	<u>2,027</u>
Presented as non-current assets	332	331
Presented as current assets	<u>11,674</u>	<u>1,696</u>
	<u>12,006</u>	<u>2,027</u>

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Contract assets		
– Engineering service contracts	116,696	120,631
Less: allowance for credit losses	<u>(5,407)</u>	<u>(1,108)</u>
	<u>111,289</u>	<u>119,253</u>
Contract liabilities		
– Engineering service contracts	<u>1,320</u>	<u>1,663</u>

14. TRADE PAYABLES

The credit period on purchases and subcontracting of contract work services is 30 to 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the Period:

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
0-30 days	9,527	7,738
31-60 days	3,575	1,472
61-90 days	242	0
	<u>13,344</u>	<u>9,210</u>

15. OTHER PAYABLES AND ACCRUED CHARGES

	31 March 2022 HK\$'000 (Unaudited)	30 September 2021 HK\$'000 (Audited)
Accrued charges for engineering service	3,508	1,870
Retention payables (<i>Note</i>)	0	771
Accrued payroll and bonus	4,180	8,732
Other accrued charges	592	1,127
	<u>8,280</u>	<u>12,500</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 2022	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31 March 2022	<u>665,701</u>	<u>6,657</u>

17. SHARE-BASED PAYMENTS TRANSACTIONS

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

Details of the movements of share options during the six months period and outstanding as at 31 March 2022 are as follows:

Date of grant	Exercise price HK\$	Exercise period (both dates inclusive)	At 1 October 2021	Granted during the Period	Exercised during the Period	Lapsed during the Period	At 31 March 2022
19 March 2019	0.500	19 March 2019 to 18 March 2024	1,749,000	-	-	-	1,749,000
5 August 2019	0.500	5 August 2019 to 4 August 2025	5,370,000	-	-	-	5,370,000
3 March 2022	0.276	3 March 2022 to 2 March 2027	-	11,710,000	9,510,000	-	2,200,000
			<u>7,119,000</u>	<u>11,710,000</u>	<u>9,510,000</u>	<u>-</u>	<u>9,319,000</u>

For the Period, the Group had granted share options and share option expenses, HK\$1.3 million (2021: HK\$0.9 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 Period, the Group worked on two business segments including electric and maintenance (E&M) engineering service business and rental income from investment property. The Group continued to engage in providing large scale E&M engineering service in major construction projects both in private and public sector in Hong Kong. We have started four E&M engineering projects encompassing hospitals, government office complex and departmental headquarter during the Period. Those projects have contributed approximately HK\$122.3 million, accounted for 83.0% of total revenue of E&M engineering service business for the Period.

FINANCIAL REVIEW

Results Analysis

The Group's revenue for the Period was approximately HK\$148.1 million, representing an increase of approximately HK\$44.6 million or 43.0% as compared to that in the corresponding period in 2021. The increase is mainly due to the normal running of the four projects during the Period, after preparation working being completed in the past months.

The Group's gross profit for the Period increased by approximately HK\$10.7 million which was mainly due to the increase of turnover and cost savings during the Period. The average gross profit ratio increased to approximately 16.7% (2021: 13.5%).

Administrative expenses

For the Period, the administrative expenses increased by approximately HK\$0.68 million as compared to the corresponding period in 2021 was mainly due to the net effect of an increase in staff costs and a decrease in professional fee, business entertainment and expected credit losses.

Finance costs

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

Profit and total comprehensive income

For the Period, the increase in profit and total comprehensive income of approximately HK\$4.9 million was due to the normal running of a few projects after preparation works being finished in the past months causing increase of turnover, and an improvement of costs savings.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Position and Capital Structure

As at 31 March 2022, the total number of issued shares of the Company was 665,701,000.

As at 31 March 2022, the Group has bank and cash balance of approximately HK\$133.7 million (2021: HK\$112.2 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 (2021: 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 2022, leasehold land and buildings with carrying amount of approximately HK\$1.3 million (2021: HK\$1.3 million) has been pledged to secure a banking facility granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 76 long term employees (2021: 77) and 593 short term employees (2021: 210). 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

As at 31 March 2022, the Group did not have any capital commitments (2021: Nil).

CONTINGENT LIABILITIES

As at 31 March 2022, 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 2022.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any significant material acquisitions or disposals during the Period.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend for the Period.

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 encompassed hospitals and government office complex. Recently, we have completed three cabin hospitals projects for Hong Kong Government. By leveraging on our extensive experience and well reputation in the field together with well management in field work, the Group has successfully won a number of long-term contracts contributing to the Group's stable income for the next few years.

Looking forward, associated with global trade frictions, geopolitical uncertainties and the global epidemic of COVID-19, the business environment is difficult and construction projects may be slowed down which will unavoidably affect the performance of the Group. The Group will look for diversification of business so as to minimize business risk. Bearing in mind the associated business risk, the Group may consider other business opportunities which may be beneficial to the Group's development in long run.

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 Period, 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 Period.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the Period 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 Period.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, 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 Period 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
Chairman

Hong Kong, 16 May 2022

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