
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Golden Faith Group Holdings Limited** (the “Company”), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 16 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 17 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder is set out on pages 18 to 50 of this circular.

A notice dated 16 July 2020 convening the EGM to be held at 15/F, Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong on Monday, 3 August 2020 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenfaith.hk).

Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this document for measures being taken to try to prevent and control the spread of COVID-19 at the EGM, including:

- compulsory temperature checks
- health declarations
- wearing of surgical face masks
- no provision of refreshments or drinks

Any person who does not comply with any of the precautionary measures may be denied entry into the EGM venue. The Company encourages the Shareholders to consider appointing the Chairman of the meeting as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

Hong Kong, 16 July 2020

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PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on Shareholders, proxies and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the EGM venue.
- (ii) Shareholders, proxies and other attendees are required to complete and submit a health declaration form providing their names and contact details, and confirming that they are not subject to quarantine and they, or to their best of knowledge, any person whom they have/had close contact with, have not entered Hong Kong from Mainland China or any overseas countries/areas at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the EGM venue.
- (iii) Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times. Any person who does not comply with this requirement may be denied entry into the EGM venue.
- (iv) No refreshments or drinks will be provided at the EGM.

To the extent permitted under law, the Company reserves the right to require any person to deny entry into the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenfaith.hk).

If you are not a registered shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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
“Announcement”	the announcement of the Company dated 8 June 2020 in relation to the Acquisition
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“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\$53,800,000, comprising HK\$24,800,000 in cash 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	the disease named “COVID-19” by the World Health Organization, which is a respiratory disease caused by a novel coronavirus first detected in 2019
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 15/F, Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong on Monday, 3 August 2020 at 10:00 a.m. or any adjourned meeting thereof
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 licensed corporation 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
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

DEFINITIONS

“Latest Practicable Date”	13 July 2020, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange
“Properties”	collectively, (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
“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, being a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale 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
“Valuer”	BMI Appraisals Limited, an independent valuer

DEFINITIONS

“Vendor” Mr. Ko Chun Hay Kelvin (高浚晞), as an executive Director and the controlling shareholder of the Company

“%” per cent

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Ko Chun Hay Kelvin

Mr. Li Kar Fai, Peter

Non-Executive Directors:

Mr. Yung On Wah (*Chairman*)

Ms. Wong Cheuk Wai Helena

Independent Non-Executive Directors:

Mr. Chan Cho Chak

Mr. Chan Wing Fai

Mr. Yeung Wai Lung

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

15/F, Honest Building

9–11 Leighton Road

Causeway Bay

Hong Kong

16 July 2020

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
ACQUISITION OF TARGET COMPANY AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from the Independent Financial Adviser; (iv) the accountant's report on the Target Company; (v) the unaudited pro forma financial information on the Enlarged Group; (vi) the valuation report on the Properties; (vii) the valuation report of the Target Company; (viii) other information as required to be disclosed under the Listing Rules; and (ix) a notice of the Extraordinary General Meeting.

LETTER FROM THE BOARD

2. 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.

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.

LETTER FROM THE BOARD

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 Consideration Shares.

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

1. the valuation of the Properties using the investment approach as at 31 May 2020 by the Valuer at HK\$53,100,000;
2. the valuation of the Club membership using the market approach as at 31 May 2020 by the Valuer at HK\$1,700,000;
3. the audited net asset value of the Target Company as at 31 May 2020 in an amount of approximately HK\$47.4 million (excluding the waiver of an amount due to director by the Target Company in the sum of HK\$7.0 million); and
4. the reasons and benefits of the Acquisition as stated under the section headed "Reasons and benefits of the Acquisition".

The valuation reports by the Valuer in relation the Properties and the Target Company (which include the valuation of the Club Membership) are set out in Appendix V and VI respectively.

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 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.

The Consideration Shares, represents (i) approximately 18.40% of the total number of issued Shares as at the Latest Practicable Date; 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 Latest Practicable Date and before Completion). The aggregate nominal value of the Consideration Shares is HK\$1,000,000. The authorised share capital of the Company is HK\$100,000,000.

LETTER FROM THE BOARD

- 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 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.

LETTER FROM THE BOARD

INFORMATION OF 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 properties investment. The Vendor is the ultimate beneficial owner and the sole director of the Target Company.

As at the Latest Practicable Date, the Target Company holds properties situated at (i) Shop B on Ground Floor Man Kwong Court, No. 12 Smithfield, Kennedy Town, Hong Kong (the “**Shop**”), 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 (the “**Carpark**”) is currently let to an individual tenant for HK\$3,500 per month (collectively the “**Properties**”). Further, the Target Company holds: (i) the Craigengower Cricket Club (the “**Club**”) membership in Hong Kong, which provides the holder, among other things, the right to use the facilities of the Club at a discount and the 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 has been disposed on 17 June 2020 and would not form part of the Acquisition. To the best of the knowledge, information and belief of the Directors, the respective tenants of the Shop and the Carpark are Independent Third Parties.

The financial information of the Target Company prepared in accordance with HKFRSs for the three years ended 31 October 2017, 2018 and 2019 and the seven months ended 31 May 2019 and 2020 are set out below:

	For the financial year ended 31 October			For the seven months ended 31 May	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue	1,440	1,420	1,440	840	588
Profit/(loss)					
before tax	4,640	3,797	(6,494)	40	290
Profit/(loss) after					
tax	4,554	3,797	(6,555)	–	272

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. The original acquisition date of the Shop, Carpark, Club Membership and the Vehicle are 31 August 2007, 8 January 2007, 14 December 2004 and 9 October 2002 respectively.

LETTER FROM THE BOARD

The audited net asset value of the Target Company as at 31 May 2020 was approximately HK\$47.4 million (excluding the waiver of an amount due to a director by the Target Company in the sum of HK\$7.0 million). As at 31 May 2020, there was an amount due to the director by the Target Company of approximately HK\$7.0 million. The Vendor confirmed that all the amount due to the director by the Target Company will be waived in full upon Completion.

As stated in the Announcement, the Target Company was previously qualified for reporting under the Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard (“SME-FRS”) and prepares its financial statements in accordance with SME-FRS. The 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 were both purchased by the Target Company in 2007 and were duly recorded in accordance with SME-FRS at cost and carried at cost less accumulated depreciation and impairment thereafter. As such, the unaudited net asset value of the Target Company as at 31 May 2020 has not reflected the substantial increase in market value of the Properties and Club membership since the date the purchases were made. During the above-stated period, the value of properties and club membership in Hong Kong have been substantially increased and the latest valuation in the Properties and Club membership reflected the current market price.

As disclosed in the Announcement, the parties have taken into account of the indicative valuation of the Properties and the Club membership as at 31 May 2020 of HK\$53.1 million and HK\$1.7 million respectively when determining the Consideration. Given that the Consideration is at a discount of HK\$1.0 million to the market value of the Properties and Club membership and taking into account of the assets and liabilities of the Target Company stated in the unaudited accounts, the Company considers that the Consideration is fair and reasonable.

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 sectors in Hong Kong. The Purchaser is a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

EFFECT ON THE ISSUE OF THE CONSIDERATION SHARES ON THE SHAREHOLDERS STRUCTURE OF THE COMPANY

Assuming there is no acquisition and/or disposal of Shares, no exercise of share options from the Latest Practicable Date 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) as at the Latest Practicable Date and immediately prior to Completion; and (ii) immediately upon Completion:

Name of Shareholder	As at the Latest Practicable Date and immediately prior to Completion		Immediately upon Completion	
	<i>Approximate percentage</i>		<i>Approximate percentage</i>	
	<i>No. of of total issued</i>		<i>No. of of total issued</i>	
	<i>Shares held</i>	<i>Shares</i>	<i>Shares held</i>	<i>Shares</i>
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%
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, the Vendor. 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.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, 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 accounts of the Enlarged Group. Please refer to Appendix IV to this circular for more information on the basis of preparation of the unaudited pro forma financial information of the Enlarged Group. The pro forma financial information of the Enlarged Group has been prepared based on the judgments and assumptions of the Directors for illustrative purposes only. It may not reflect the true financial position of the Enlarged Group as at 31 March 2020 or any future date due to its hypothetical nature.

LETTER FROM THE BOARD

Earnings

As set out in the Accountants' Report on historical financial information of the Target Company in Appendix II to this circular, the revenue and net loss after tax of the Target Company for the year ended 31 October 2019 were approximately HK\$1.4 million and HK\$6.6 million, respectively. The revenue and net profit after tax of the Target Company for the seven months ended 31 May 2020 were approximately HK\$588,000 and HK\$272,000, respectively.

Assets and Liabilities

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the Completion had taken place on 31 March 2020, the total assets of the Enlarged Group would have increased from approximately HK\$252.4 million to approximately HK\$282.6 million on a pro forma basis, the total liabilities of the Enlarged Group would have increased from approximately HK\$34.8 million to approximately HK\$35.2 million on a pro forma basis, the net assets of the Enlarged Group would have increased from approximately HK\$217.6 million to approximately HK\$247.4 million.

REASONS AND BENEFITS OF THE ACQUISITION

As disclosed in the annual report of the Company for the year ended 30 September 2019, the Group has been strictly selective in choosing appropriate projects associated with reasonable profit margins with long term business partners due to the civil unrest in Hong Kong. Amidst the civil unrest and the implications from COVID-19, 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, upon initial discussion with the controlling shareholder of the Company and the Board in about May 2020, 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 properties investment and rental proceeds and to strengthen the Company's asset base as well.

The Board is of the view that the impact of COVID-19 is beginning to subside from the second quarter of 2020 and it is a good timing for the Group to diversify its business and extend into property sector in Hong Kong in particular considering the significant drop in the retail sector of the property market in the past year. Indeed, the property investment business has always been and will continue to be a crucial element in conducting business in Hong Kong. After drop in property prices caused by social unrest and COVID-19, the property market proves resilient and is poised to grow. It is therefore an appropriate time to make this Acquisition at this moment. By acquiring the Properties, the Group will have (a) a predictable cash flow and thus a relatively low risk investment when compared to other business opportunities, which are still in the early stage of negotiation and are stalled by the outbreak of COVID-19; (b) in relation to the Shop, the maintenance and repairs costs are paid for by the tenant and therefore the Company will incur relatively less expenses; and (c) potential capital appreciation as the Properties grows in value in the near future thanks to its close proximity to the respective MTR

LETTER FROM THE BOARD

stations and the city centers of their respective locations. Having said that, the Properties will be subject to payment of property management fees, changes in the value of the assets acquired due to fluctuations on the economy and potential rent arrears by the respective tenants of the Properties. To the best of the knowledge, information and belief of the Board and upon making enquiries with the Vendor, the existing tenants of the respective Properties have been punctual in making rental payments throughout their rental periods.

Insofar as the Club membership and the Vehicle are concerned, the Club is a casual and convenient venue for Directors to meet with clients, potential or existing business partners and/or potential investors of the Company with privacy. After acquiring the Club membership, the Company can make use of the Club facilities to arrange luncheon meetings, dinner or functions with clients with good privacy and will in turn create a friendly environment on conducting business negotiations and reaching potential deals. Further, the Board is also of the view that owing to its prime location, the Club membership has potential appreciation in value. 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.

As disclosed in the Interim Report for the six months ended 31 March 2020, the Company had bank balance and cash of HK\$147.1 million and short term bank deposits of HK\$43.5 million, totalling to an amount of approximately HK\$190.6 million. Having taking into account of the following reasons, the Company considered that it would be in the best interest of the Company to partly settle the Consideration by the Consideration Shares instead of fully in cash consideration:

- (a) The Directors consider that it is important to maintain sufficient cash resources for its ordinary course of business in particular considering the current worldwide lockdown because of COVID-19. The Company takes the view that if full cash payment is applied for the settlement of the Consideration, it will cause a significant impact to its cash flow. In particular, the Company has signed a number of important contracts in a few projects for the upcoming three years. The Directors consider that the Company requires to maintain sufficient cash to support its daily operation which includes purchasing of raw materials and paying for labour costs. Further, the Company may be requested in certain projects to provide performance bonds.
- (b) The Directors also take the view that the issuance of Consideration Shares will put the Company in a position to better equip itself for the long term business development of the Group when compared with other means of fund raising, including (i) no interest burden; (ii) at the lowest cost; (iii) without increasing the Group's liabilities and gearing; and (iv) more efficient and cost-effective to complete the transaction without the need to be subject to lengthy negotiations with financial institutions as well as burdensome documentation.

LETTER FROM THE BOARD

- (c) As stated in the Announcement, the issue price of the Consideration Shares was determined after arm's length negotiations between parties with reference to the recent trading price of the Shares and the current market conditions. The issue price of HK\$0.290 represents an approximate 1.40% and 1.75% premium to the average closing price of the Shares for the last 5 trading days up to and including 5 June 2020 and the closing price of the Shares on 8 June 2020 respectively, which is in line with market practice.
- (d) The Vendor, being the controlling shareholder of the Company, through accepting the Consideration Shares as part payment of the Consideration, signifies his long term commitment to the Company and full confidence towards the future prospects and development of the Company.

Accordingly, the Directors 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.

As far as rental proceeds generated from the Properties are concerned, the Board has made enquiries with property agents in or about late May 2020 and were given to understand that the current monthly rental of the Shop and the Carpark are (1) within the range of the prevailing market rent in the region in terms of its size or rent per square foot and (2) the occupancy rate of the carparking spaces in the same building which the Carpark is located and the part of the street of which the Shop is located are substantially occupied. Accordingly, the Board is of the view that the current monthly rental of each of the Shop and the Carpark is fair and reasonable. In the event that existing tenants, who are Independent Third Parties, terminates their respective tenancy agreements or does not renew their respective tenancy agreements, the Company would be able to find tenants in replacement in good time at the prevailing market rent.

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 Vendor is the executive Director and the controlling shareholder 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

LETTER FROM THE BOARD

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.

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.

3. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, resolutions will be proposed to the Shareholders to consider and approve, *inter alia*, the Sale and Purchase Agreement, the specific mandate to issue the Consideration Shares and the transaction contemplated thereunder as ordinary resolutions.

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 Sale and Purchase Agreement.

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 Latest Practicable Date. In view of the Vendor's interests in the Sale and Purchase Agreement and transactions contemplated thereunder, 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 resolutions of the Company in approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

4. ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.goldenfaith.hk). Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from

LETTER FROM THE BOARD

attending and voting in person at the EGM or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Sale and Purchase Agreement. Opus Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and as to voting.

5. RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions completed thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The chairman of the EGM will therefore put each of the resolutions to be proposed at the EGM to be voted by way of a poll pursuant to Article 66(1) of the Articles of Association.

Pursuant to the Articles of Association, on a poll every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register of members. On a poll, a Shareholder entitled to more than one vote is under no obligation to cast all his votes in the same way.

7. GENERAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
GOLDEN FAITH GROUP HOLDINGS LIMITED
Li Kar Fai, Peter
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

16 July 2020

To the Independent Shareholders,

Dear Sir or Madam,

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

We refer to the circular of the Company dated 16 July 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser from pages 18 to 50 of the Circular, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee
Mr. Yeung Wai Lung, Mr. Chan Cho Chak and Mr. Chan Wing Fai
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Opus Capital Limited, 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, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

16 July 2020

To: *The Independent Board Committee and the Independent Shareholders of
Golden Faith Group Holdings Limited*

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF TARGET COMPANY

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 16 July 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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 the Consideration Shares.

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 Vendor is the executive Director and the controlling shareholder of the Company. Accordingly, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements.

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 Sale and Purchase Agreement.

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 Latest Practicable Date. In view of the Vendor's interests in the Sale and Purchase Agreement and transactions contemplated thereunder, 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 resolutions of the Company in approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chan Cho Chak, Mr. Chan Wing Fai and Mr. Yeung Wai Lung, all being the independent non-executive Directors, has been established by the Company to provide recommendation to the Independent Shareholders as to: (i) whether the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance of the Consideration Shares by a specific mandate, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (ii) whether the entering into of the Sale and Purchase Agreement is in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote on the resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this regard.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to the Company in relation to the mandatory unconditional cash offer made by Somerley Capital Limited for and on behalf of Greatly Success Investment Trading Limited (as the offeror) to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by Greatly Success Investment Trading Limited and parties acting in concert with it) in accordance with the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "**Past Appointment**"), details of which were disclosed in the composite document issued by the Company and the offeror on 28 December 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the Target Company, the Vendor or other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees paid or payable to us in connection with the Past Appointment and this appointment, no arrangements existed whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual report for the year ended 30 September ("FY") 2019 (the "**2019 Annual Report**");
- (ii) the Company's interim report for the six months ended 31 March ("1H") 2020 (the "**2020 Interim Report**");
- (iii) the Sale and Purchase Agreement;
- (iv) a valuation report in relation to the valuation of the Properties issued by BMI Appraisals Limited, the Valuer, as at the date of valuation on 31 May 2020 (the "**Properties Valuation Report**");
- (v) a valuation report in relation to the valuation of the Target Company issued by the Valuer as at the date of valuation on 31 May 2020 (the "**TargetCo Valuation Report**", together with the Properties Valuation Report are collectively known as the "**Valuation Reports**"); and
- (vi) other information as set out in the Circular.

We have also discussed the valuation methodologies, bases and assumptions adopted for the valuations of the Properties and the Target Company with the Valuer.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Sale and Purchase Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is an investment holding company. The principal activities of the Group are principally engaged in the electrical engineering business and trading business, in particular providing large scale electrical and mechanical engineering services in major construction projects, both in the private and public sectors in Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial results of the Group for FY2018, FY2019 and 1H2020, as extracted from the 2019 Annual Report and the 2020 Interim Report:

Table 1: Highlights of the financial results of the Group

	For the six months ended 31 March		For the year ended 30 September	
	2020	2019	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	178,243	142,231	378,464	375,023
Cost of sales	(163,488)	(119,252)	(317,431)	(321,993)
Profit before taxation	6,558	10,491	27,482	32,872
Profit and total comprehensive income for the period/year attributable to owners of the Company	5,632	7,469	21,908	27,125

Source: 2019 Annual Report and 2020 Interim Report

The Group recorded a revenue for 1H2020 in the amount of approximately HK\$178.2 million, representing an increase of approximately HK\$36.0 million or 25.3% as compared to 1H2019. As stated in the 2020 Interim Report, the increase was the net effect of (i) a rise in revenue for projects in progress of approximately HK\$27.5 million; and (ii) an improvement in revenue from the new trading business of approximately HK\$8.5 million.

The Group recorded a slight revenue increment of approximately 0.9% from approximately HK\$375.0 million for FY2018 to approximately HK\$378.5 million for FY2019. This increase was mainly due to the revenue attributable from the trading business amounted to approximately HK\$1.8 million in relation to a newly established wholly owned foreign enterprise in Guangxi, Nanning, the People's Republic of China (the "PRC") in July 2019 for the provision of trading business. Goods traded include electronic and electrical equipment, computer software, hardware, accessories and communication equipment whilst its suppliers and customers comprised of large state-owned enterprises or its related companies.

The cost of sales during 1H2020 was approximately HK\$163.5 million, representing a rise of approximately 37.1% as compared to approximately HK\$119.3 million for 1H2019, which was generally in line with the increase in revenue. As disclosed in the 2020 Interim Report, such rise was derived from the increase in subcontracting charges from a few projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During FY2019, the cost of sales of the Group was approximately HK\$317.4 million, representing a slight decrease of approximately 1.4% from approximately HK\$322.0 million for FY2018 due to the effective cost control on projects at hand.

The Group's profit attributable to the owners of the Company decreased by approximately 24.6% from approximately HK\$7.5 million for 1H2019 to approximately HK\$5.6 million for 1H2020. As stated in the 2020 Interim Report, it was mainly attributable to the net effect of (i) a decrease in gross profit of approximately HK\$8.2 million or 35.8%; (ii) an increase in other income of approximately HK\$1.5 million; (iii) a decline in administrative expenses of approximately HK\$2.7 million; and (iv) a drop in taxation of approximately HK\$2.1 million.

The profit attributable to the owners of the Company for FY2019 was approximately HK\$21.9 million, representing a decrease by approximately 19.2% from approximately HK\$27.1 million for FY2018. As explained in the 2019 Annual Report, such decrease mainly arose from the net effect of an increase in: (i) administrative expenses of approximately HK\$11.8 million or 58.7%; (ii) impairment losses on trade receivable and contract assets of approximately HK\$4.5 million; (iii) gross profit of approximately HK\$8.0 million or 15.1%; (iv) other income of approximately HK\$2.2 million or 419.3%; and (v) other gains and losses of approximately HK\$0.8 million in FY2019, as compared to FY2018.

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2018 and 2019 and 31 March 2020, as extracted from the 2019 Annual Report and the 2020 Interim Report:

Table 2: Highlights of the financial position of the Group

	As at 31 March 2020 HK\$'000 (unaudited)	As at 30 September 2019 HK\$'000 (audited)	2018 HK\$'000 (audited)
Non-current assets	4,862	3,664	3,119
Current assets	247,518	281,942	231,623
Short term bank deposits	43,754	7,080	50,058
Bank balances and cash	147,071	140,768	46,227
Current liabilities	34,093	73,049	47,412
Non-current liabilities	685	616	848
Equity attributable to owners of the Company	217,555	211,923	186,482

Source: 2019 Annual Report and 2020 Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The non-current assets of the Group mainly comprised, among others, property, plant and equipment, right-of-use assets, deferred tax assets, deposits and prepayments. The total non-current assets increased by approximately 32.7% from approximately HK\$3.7 million as at 30 September 2019 to approximately HK\$4.9 million as at 31 March 2020. The increase was mainly due to the first-time recognition of right-of-use assets from nil as at 30 September 2019 to approximately HK\$1.2 million as at 31 March 2020 as a result of the adoption of HKFRS 16 that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.

The current assets mainly comprised of trade receivables, other receivables, deposits and prepayments, contract assets, pledged bank deposits, short term bank deposits, bank balances and cash. The total current assets decreased by approximately 12.2% from approximately HK\$281.9 million as at 30 September 2019 to approximately HK\$247.5 million as at 31 March 2020. The decrease was mainly attributable to the drop in trade receivables from approximately HK\$33.4 million as at 30 September 2019 to nil as at 31 March 2020 as a result of efficient debt collection with the increase in revenue recognised.

The current liabilities mainly consisted of trade payables, other payables and accrued charges, contract liabilities, bank borrowing, lease liabilities and tax liabilities. The total current liabilities decreased significantly by approximately 53.3% from approximately HK\$73.0 million as at 30 September 2019 to approximately HK\$34.1 million as at 31 March 2020. Such decrease was due to the net effect of: (i) a decrease in trade payables of approximately 69.5% from approximately HK\$38.0 million as at 30 September 2019 to approximately HK\$11.6 million as at 31 March 2020; (ii) a decrease in other payables and accrued charges of approximately 66.6% to approximately HK\$7.4 million as at 31 March 2020; (iii) a decrease in bank borrowing from approximately HK\$4.6 million as at 30 September 2019 to nil as at 31 March 2020; and (iv) an increase in contract liabilities of approximately HK\$4.5 million as at 30 September 2019 to approximately HK\$13.4 million as at 31 March 2020.

The major components in the non-current liabilities of the Company were lease liabilities and provisions. The lease liabilities represented the first time recognition of approximately HK\$0.1 million as at 31 March 2020.

As at 31 March 2020, equity attributable to owners of the Company was approximately HK\$217.6 million, representing a mere rise of approximately 2.7% or HK\$5.7 million compared to approximately HK\$211.9 million as at 30 September 2019.

2. Information of the Vendor

The Vendor is a Hong Kong merchant, who is also an executive Director and a controlling shareholder of the Company. He currently holds approximately 56.57% of the total issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property investment. The Vendor is the ultimate beneficial owner and sole director of the Target Company. As at the Latest Practicable Date, the Target Company holds properties situated at (i) Shop B on Ground Floor Man Kwong Court, No. 12 Smithfield, Kennedy Town, Hong Kong (the “**Shop**” or “**Property I**”), which is currently let to retail tenant for HK\$120,000 per month up to 6 July 2020 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 (the “**Carpark**” or “**Property II**”), which is currently let to an individual tenant for HK\$3,500 per month. To the best of the knowledge, information and belief of the Directors, the respective tenants of the Shop and the Carpark are Independent Third Parties. Further, the Target Company holds: (i) the Craigengower Cricket Club (the “**Club**”) membership in Hong Kong (the “**Club Membership**”), which provides the holder, among other things, the right to use the facilities of the Club at a discount and the 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 has been disposed on 17 June 2020 and would not form part of the Acquisition.

Set out below is the key financial information on the Target Company for the three years ended 31 October 2019 and the seven months ended 31 May 2019 and 2020 as extracted from the accountant’s report on the Target Company set out in Appendix II to the Circular:

Table 3: Highlights of the financial results of the Target Company

	For the seven months		For the year ended 31 October		
	ended 31 May		ended 31 May	ended 31 October	ended 31 October
	2020	2019	2019	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(audited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	588	840	1,440	1,420	1,440
Other income and gains	–	3,641	6,871	214	–
Fair value (loss)/gain on investment properties	(100)	(1,920)	(10,090)	3,230	4,230
Administrative expenses	(198)	(2,521)	(4,715)	(1,067)	(1,030)
Profit/(loss) before taxation	290	40	(6,494)	3,797	4,640
Profit/(loss) after taxation	272	–	(6,555)	3,797	4,554

Source: Accountant’s report on the Target Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted in the above table, the Target Company's revenue maintained at a stable level of approximately HK\$1.4 million for the three years ended 31 October 2019. The Target Company's unaudited revenue of approximately HK\$0.8 million for the seven months ended 31 May 2019 decreased by approximately 30.0% to approximately HK\$0.6 million for the seven months ended 31 May 2020. This was mainly due to an one-off subsidy to the tenant for the past year's social unrest. The Target Company has recorded other income and gains due to a gain on disposal of property, plant and equipment for the two financial years ended 31 October 2019, with the amount of approximately HK\$214,000 for the year ended 31 October 2018 and approximately HK\$6.9 million for the year ended 31 October 2019. As advised by the Management, the gain arose from the disposals of two condominiums in Hawaii in May 2019 and September 2019 respectively. The disposals were undertaken over the years in view of the encouraging property market in Hawaii in order to realise an attractive return on its property investments. The other income and gains of the Target Company has decreased from HK\$3.6 million for the seven months ended 31 May 2019 to nil for the seven months ended 31 May 2020. This was mainly due to the absence of the gain on disposal of property, plant and equipment during the period. The Target Company's fair value loss on investment properties decreased from approximately HK\$1.9 million for the seven months ended 31 May 2019 to approximately HK\$0.1 million for the seven months ended 31 May 2020, representing a decrease of approximately 94.8%. The reason was mainly due to the decrease in fair value loss on investment properties.

The Target Company's administrative expenses maintained on a stable level at approximately HK\$1.0 million and HK\$1.1 million for the two years ended 31 October 2018. The administrative expenses increased significantly by approximately 341.9% to approximately HK\$4.7 million for the year ended 31 October 2019. This was mainly attributable to: (i) an one-off legal and professional fees and taxes relating to the disposal of overseas properties for the year ended 31 October 2019; (ii) an increase of directors' emoluments by approximately HK\$200,000; and (iii) an increase in depreciation by approximately HK\$54,000 following the disposals of the properties. The administrative expenses decreased from approximately HK\$2.5 million for the seven months ended 31 May 2019 to approximately HK\$198,000 for the seven months ended 31 May 2020, representing a decrease of approximately 92.1%. This was mainly due to the absence of an one-off legal expense in nature associated with the disposal of overseas properties for the seven months ended 31 May 2020.

The Target Company's profit for the year decreased from approximately HK\$4.6 million for the year ended 31 October 2017, by approximately 16.6% to approximately HK\$3.8 million for the year ended 31 October 2018. This was mainly due to the decrease in fair value gain on investment properties by approximately HK\$1.0 million or 23.6%. The Target Company recorded a loss of approximately HK\$6.6 million for the year ended 31 October 2019 as it recognised a fair value loss on investment properties of approximately HK\$10.1 million, while the Target Company recorded a fair value gain on investment properties of approximately HK\$3.2 million instead for the year ended 31 October 2018. The net profit showed a slight increase from nil for the seven months ended 31 May 2019 to approximately HK\$272,000 for the seven months ended 31 May 2020. This was mainly

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

due to a combined effect of a decrease in: (i) other income and gains; (ii) fair value loss on investment properties; and (iii) administrative expenses.

Table 4: Highlights of the financial position of the Target Company

	As at 31 May 2020 HK\$'000 (audited)	As at 31 October 2019 HK\$'000 (audited)	2018 HK\$'000 (audited)	2017 HK\$'000 (audited)
Non-current assets	53,885	54,118	76,714	72,934
Current assets	935	377	1,010	1,408
Bank balances and cash	935	322	894	1,408
Current liabilities	7,055	7,347	23,661	24,436
Due to sole director	6,962	6,980	23,651	24,051
Net assets	47,420	47,148	53,703	49,906

Source: Accountant's report on the Target Company

The non-current assets of the Target Company mainly comprised of property, plant and equipment, investment properties and intangible asset. The total non-current asset increased from approximately HK\$72.9 million as at 31 October 2017 to approximately HK\$76.7 million as at 31 October 2018, representing a moderate increase of approximately 5.2%, which was primarily due to a fair value gain on investment properties. The non-current assets decreased by approximately 29.5% from approximately HK\$76.7 million as at 31 October 2018 to approximately HK\$54.1 million as at 31 October 2019. Such decrease was mainly attributable to a fair value loss on investment properties of approximately HK\$10.1 million. The total non-current asset also decreased from approximately HK\$54.1 million as at 31 October 2019 to approximately HK\$53.9 million as at 31 May 2020, representing a slight decrease of approximately 0.4%. Such decrease was mainly due to a modest decrease in property, plant and equipment of approximately HK\$0.1 million.

The current assets mainly consisted of tax recoverable, bank balances and cash. The total current assets showed a mere decrease from approximately HK\$1.4 million as at 31 October 2017 to approximately HK\$1.0 million as at 31 October 2018, and subsequently reduced significantly by approximately 62.7% to approximately HK\$0.4 million as at 31 October 2019. It was mainly attributable to the repayment of an amount due to sole director, thus resulting in a decrease in bank balances and cash. The current assets showed a drastic increase of approximately 148.0% from approximately HK\$0.4 million as at 31 October 2019 to approximately HK\$0.9 million as at 31 May 2020.

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The current liabilities mainly comprised of accrued charges and rental deposits received, an amount due to sole director and tax payable. The current liabilities decreased by approximately 3.2% from approximately HK\$24.4 million as at 31 October 2017 to approximately HK\$23.7 million as at 31 October 2018, and continued to decrease significantly by approximately 68.9% to approximately HK\$7.3 million as at 31 October 2019 as the Target Company repaid approximately HK\$20.6 million to the sole director on the amount owned. The current liabilities maintained relatively stable at approximately HK\$7.1 million as at 31 May 2020.

The net asset value of the Target Company fluctuated from approximately HK\$49.9 million as at 31 October 2017 to approximately HK\$53.7 million as at 31 October 2018, representing an increase of approximately 7.6%, before reducing by approximately 12.3% to approximately HK\$47.1 million as at 31 October 2019. The net asset value of the Target Company continued to remain stable at approximately HK\$47.4 million as at 31 May 2020.

As stated in the Announcement, the Target Company was previously qualified for reporting under the Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard (“SME-FRS”) and prepared its financial statements in accordance with SME-FRS. As advised by the Vendor, the Properties were purchased by the Target Company in 2007 and were duly recorded in accordance with SME-FRS at cost and carried at cost less accumulated depreciation and impairment thereafter. As such, the unaudited net asset value of the Target Company as at 31 May 2020 has not reflected the substantial increase in market value of the Properties and Club Membership since the purchases were made. During the above-stated period, the values of the properties and club membership in Hong Kong have substantially increased and the latest valuation in the Properties and Club Membership reflected the current market price stated in the accountant’s report on the Target Company set out in Appendix II to the Circular.

4. Reasons and benefits of the Acquisition

As disclosed in the 2019 Annual Report, the Group has been strictly selective in choosing appropriate projects associated with reasonable profit margins with long term business partners due to the civil unrest in Hong Kong. Amidst the civil unrest and the implications from COVID-19, the Company will explore opportunities in related business sector and diversify its business so as to minimise business risk and maximise return of Shareholders. Therefore the Group started a new trading business in 2019 which is engaged in the sale of electrical products in the PRC and recorded a revenue from the said business of approximately HK\$1.8 million for FY2019. The Company has considered various business opportunities in the past year and had, upon initial discussion with the controlling shareholder of the Company and the Board in about May 2020, decided that the Acquisition, which mainly consists of the Properties located 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.

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According to the Letter from the Board, the Board is of the view that the impact of COVID-19 is beginning to subside from the second quarter of 2020 and it is a good timing for the Group to diversify its business and extend into property sector in Hong Kong in particular considering the significant drop in retail sector of the property market in the past year. Indeed, the property investment business has always been and will continue to be a crucial element in conducting business in Hong Kong. After a drop in property prices caused by social unrest and COVID-19, the property market proves resilient and is poised to grow. It is therefore an appropriate time to make this Acquisition at this moment. By acquiring the Properties, the Group will have (a) a predictable cash flow and thus a relatively low risk investment when compared to other business opportunities, which are still in the early stage of negotiation and are stalled by the outbreak of COVID-19; (b) in relation to the Shop, the maintenance and repair costs are paid for by the tenant and therefore the Company will incur relatively less expenses; and (c) potential capital appreciation as the Properties grow in value in the near future thanks to its proximity to the respective MTR stations and the city centers of their respective locations. Having said that, the Properties will be subject to payment of property management fees, changes in the value of the assets acquired due to fluctuations on the economy and potential rent arrears by the respective tenants of the Properties. To the best of the knowledge, information and belief of the Board and upon making enquiries with the Vendor, the existing tenants of the respective Properties have been punctual in making rental payments throughout their rental periods.

As far as rental proceeds generated from the Properties are concerned, the Board has made enquiries with property agents in or about late May 2020 and were given to understand that the current monthly rental of the Shop and the Carpark are (1) within the range of the prevailing market rent in the region in terms of its size or rent per square foot; and (2) the occupancy rate of the carparking spaces in the same building which the Carpark is located and the part of the street of which the Shop is located are substantially occupied. Accordingly, the Board is of the view that the current monthly rental of the Shop and the Carpark is fair and reasonable. According to the Retail Leasing Report published in July 2020 by Savills Research and Consultancy (“**Savills**”), although vacancy of prime street shops in traditional tourist districts is set to rise around the second quarter of 2020, retail categories such as lifestyle brands, health related products and affordable family friendly retailers which appeal to domestic shoppers are beginning to have a stronger presence in the market. We were informed by the Management that the current tenant of the Shop is engaged in affordable Japanese food and beverage retail business, which is frequented by domestic consumers. Therefore we concur with the Company’s view that in the event the existing tenants, who are Independent Third Parties, terminate their respective tenancy agreements or do not renew their respective tenancy agreements, the Company would be able to find tenants in a timely manner at the prevailing market rent.

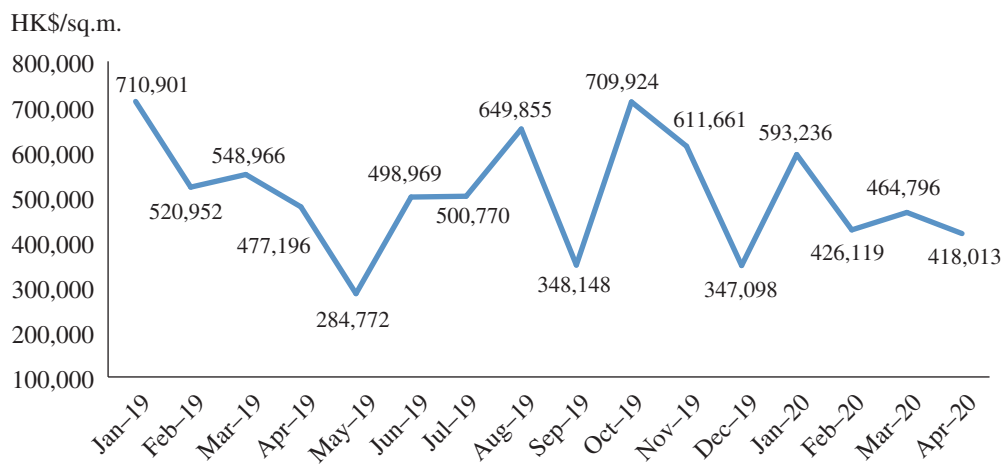
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In order to assess the merits of the Acquisition, we have conducted desktop research and reviewed certain public information in relation to markets of private retail properties and car park spaces in Hong Kong, which are set forth below:

(i) Private retail properties in Hong Kong

The pricing of private retail properties in Hong Kong Island, where Property I is located, have been fluctuating, and it has shown a downward trend since January 2019. According to the average prices of private retail properties in Hong Kong Island published by Rating and Valuation Department, the average prices of private retail properties experienced a gradual decrease from approximately HK\$710,901 per square metre (“sq.m.”) in January 2019 to approximately HK\$418,013 per sq.m. in April 2020, representing a decrease of approximately 41.2%. The following chart sets forth the average prices of private retail properties in Hong Kong Island for the period from January 2019 to April 2020:

Chart 1: Average prices of private retail properties in Hong Kong Island, January 2019 – April 2020



Note: the figures from November 2019 to April 2020 are provisional figures

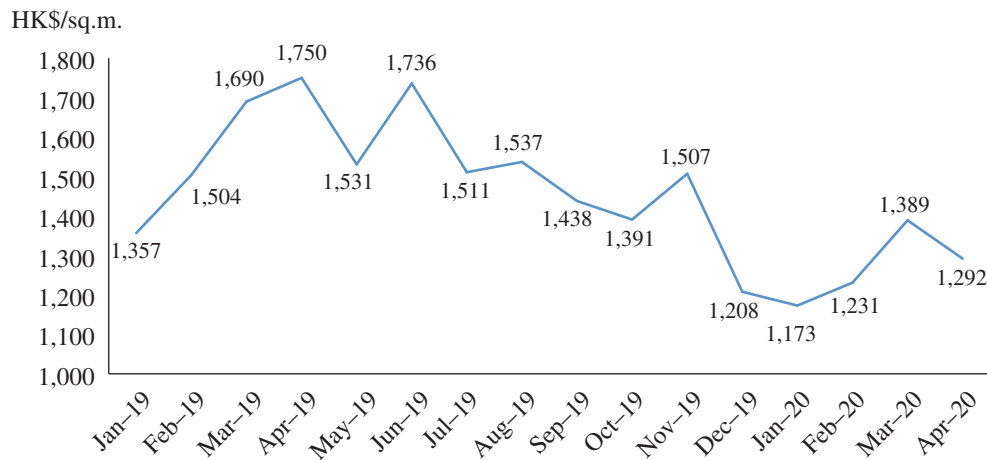
Source: Rating and Valuation Department, the government of HKSAR

We understand that the above price decrease in the private retail properties was mainly driven by the social unrest and the recent COVID-19 pandemic. According to research reports titled “Hong Kong Monthly” in relation to the performance of Hong Kong’s office, residential and retail property markets published by Knight Frank in April and May 2020, Knight Frank (a leading independent real estate consultancy firm with over 500 offices globally) expressed that Hong Kong retail market recorded the worst performance in a decade, as residents avoided going out and travel restrictions kept tourists away whilst the retail sales plunged approximately 44.0% year-on-year in February 2020 to approximately HK\$22.7 billion, the lowest since September 2009. In May 2020, Knight Frank has further indicated its view on the possibility of recovery

in the short term as the virus outbreak has shown signs of abating. With the Hong Kong Government gradually easing restrictions on social distancing, many retailers, food and beverage operators looking for long-term returns have started plans to cater for V-trend recovery in spending when the COVID-19 pandemic is contained, which will underpin demand for retail leasing.

The following chart sets forth the average rents of private retail properties in Hong Kong Island for the period from January 2019 to April 2020:

Chart 2: Average rents of private retail properties in Hong Kong Island, January 2019 – April 2020



Note: the figures from November 2019 to April 2020 are provisional figures

Source: Rating and Valuation Department, the government of HKSAR

The above chart demonstrates the average rental for private retail properties are generally in line with the decrease in the average prices as mentioned in Chart 1 above. The average rental decreased from approximately HK\$1,357 per sq.m. in January 2019 to approximately HK\$1,292 per sq.m. in April 2020 representing a decline of approximately 4.79%. According to the Retail Leasing Report published in April 2020 by Savills (a global real estate firm), it was stated that landlords of multiple malls are offering temporary rent relief of approximately 30% to 50% to beleaguered tenants who have faced numerous crises over the past year, of which the COVID-19 outbreak being the latest. The retail rents fell 14% quarter-on-quarter and by an average of 43% year-on-year. On the other hand, landlords of some shopping centres are proving reluctant to relieve rents despite growing tenant vacancies.

(ii) Car parking spaces in Hong Kong

According to the statistics from the website of Centaline Property Agency Limited released on 12 April 2020, the private residential parking spaces registration increased from 1,219 cases with HK\$2.7 billion in the first quarter of 2019, by

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approximately 63.2% and 63.0% to 1,989 cases with HK\$4.4 billion in the second quarter of 2019 respectively. This subsequently decreased to 1,085 cases with HK\$2.4 billion in the third quarter of 2019. The first quarter of 2020 has recorded 1,009 cases with HK\$2.2 billion, compared to 1,317 cases with HK\$3.0 billion recorded in the fourth quarter of 2019, representing a decline by approximately 23.4% and 27.6% respectively. The market conditions were mainly affected by the COVID-19 pandemic, with the parking space registration expected to continue to hover at a low level going forward.

Shareholders should also note that the price index represents the general market trend of the prices of private retail properties and car parking spaces in Hong Kong and the individual property price will depend on other various factors, such as size, building age, time, location, frontage, depth and floor-to-floor height.

As revealed by the positive findings of our independent research presented above, the future outlook of the private retail properties and car parking spaces in Hong Kong is likely to stay positive with V-trend recovery, when the COVID-19 pandemic is contained.

Based on the above information, it indicated that the prices for retail properties and car parking spaces are currently under substantial downward pressure. The Board is of the view and we concur that it is an opportune time to acquire the Properties at a relative favourable price in an attempt to enhance its asset base without substantial cash outflow in the short term, given (i) it is presumed that both the sale price and rental of the private retail properties and car parking spaces will likely to remain stable and a rebound is expected when the pandemic outbreak is contained; and (ii) the potential value appreciation of the Properties anticipated by the Group based on historical upward trend in both sale price and rental of retail properties and car parking spaces in Hong Kong would further benefit the Group and the Shareholders.

Insofar as the Club Membership and the Vehicle are concerned, the Club is a casual and convenient venue for Directors to meet with clients, potential or existing business partners and/or potential investors of the Company with privacy. After acquiring the Club Membership, the Company can make use of the Club facilities to arrange luncheon meeting, dinner or functions with clients in good privacy and will in turn create a friendly environment on conducting business negotiations and reaching potential deals. Further, the Board is also of the view that owing to its prime location, the Club Membership has potential appreciation in value. 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 provide transportation for potential clients of the Group.

As disclosed in the Letter from the Board, the Company had bank balance and cash of HK\$147.1 million and short term bank deposits of HK\$43.5 million, totalling

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to an amount of approximately HK\$190.6 million as at 31 March 2020. Having taking into account of the following reasons, the Company considered that it would be in the best interest of the Company to partly settle the Consideration by the Consideration Shares instead of fully in cash consideration: (a) the Directors considered that it was important to maintain sufficient cash resources for its ordinary course of business, in particular considering the current worldwide lockdown because of COVID-19. The Company takes the view that if cash payment was made in full for the settlement of the Consideration, it will cause a significant impact to its cash flow. In particular, the Company has signed a number of important contracts in a few projects for the upcoming three years. We have reviewed the list of the abovementioned projects and noted that such projects will complete till late 2023, in which the Group is required to incur significant cash outflow, in particular, at the initial stage. The Directors considered that the Company is required to maintain sufficient cash to support its daily operation which includes purchasing raw materials and paying for labour costs. Further, the Company may be requested to provide performance bonds in certain projects; (b) the Directors also take the view that the issuance of the Consideration Shares will put the Company in a position to better equip itself for the long term business development of the Group when compared with other means of fund raising, including (i) no interest burden; (ii) at the lowest cost; (iii) without increasing the Group's liabilities and gearing; (iv) more efficient and cost-effective to complete the transaction without the need to be subject to lengthy negotiations with financial institution as well as burdensome documentation; (c) as stated in the Letter from the Board, the issue price of the Consideration Shares was determined after arm's length negotiations between the parties with reference to the recent trading price of the Shares and the current market conditions. The issue price of HK\$0.290 represents an approximate 1.40% and 1.75% premium to the average closing price of the Shares for the last 5 trading days up to and including 5 June 2020 and the closing price of the Shares on 8 June 2020 respectively, which is in line with market practice (as further demonstrated in the sub-section headed "Comparison with recent comparable transactions" below); and (d) the Vendor, being the controlling shareholder of the Company, through accepting the Consideration Shares, signifies his long term commitment to the Company and full confidence towards the future prospects and development of the Company.

Based on the aforementioned that (i) it is an opportune time to acquire the Properties at a relative favourable price given the recent downward price pressure in the private retail properties and car parking spaces mainly due to the social unrest and the recent COVID-19 pandemic; (ii) the Company considers that an upturn in the sale price and rental of private retail properties and car park spaces will likely to occur when the COVID-19 pandemic is contained; (iii) the potential value appreciation of the Properties expected by the Group based on the historical upward trend in both sale price and rental of private retail properties and car park spaces in Hong Kong; (iv) the Acquisition would help diversify the income source of the Group; (v) the possibility of the Group using the Properties as a security pledge to obtain debt financing in the future will make better use of its available financial resources; and (vi) by accepting

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the Consideration Shares as part payment of the Consideration, the Vendor, being the controlling shareholder of the Company, demonstrates his long term commitment to the Company and signifies his full confidence towards the future prospects and development of the Group, we therefore concur with the Directors' view that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole, even though the entering into the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group.

5. Principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out below:

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 represent the entire issued 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 (the "Issue Price"), which represents:

- (a) an approximate 9.43% premium to HK\$0.265, being the closing price of the Shares on the Latest Practicable Date;
- (b) 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, which is immediately preceding the date of the Sale and Purchase Agreement;

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- (c) 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; and
- (d) a discount of approximately 27.5% to the unaudited net asset value per Share of approximately HK\$0.400 calculated based on the consolidated net assets of the Group attributable to the Shareholders of approximately HK\$217.6 million as at 31 March 2020 and 543,621,000 Shares in issue.

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 Consideration Shares.

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.

Payment Terms

Payment shall be made in the following installments:

1. The Purchaser shall pay the initial deposit of HK\$5,000,000 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 Completion.

Completion

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

Further details of the principal terms of the Sale and Purchase Agreement, including the conditions precedent are set out in the Letter from the Board.

6. Analysis on the fairness and reasonableness of the Consideration

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations with reference to, among others: (1) the valuation of the Properties using the investment approach as at 31 May 2020 by the Valuer at HK\$53,100,000; (2) the valuation of the Club Membership using the market approach as at 31 May 2020 by the Valuer at HK\$1,700,000; (3) the audited net asset value of the Target Company as at 31

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May 2020 of an amount of approximately HK\$47.4 million (excluding the waiver of an amount due to the sole director by the Target Company in the sum of HK\$7.0 million); and (4) the reasons and benefits of the Acquisition as stated under the section headed “Reasons and benefits of the Acquisition” in the Letter from the Board.

(i) Valuation on the Properties

In assessing the fair and reasonableness of the Consideration, we have primarily taken into account the appraised value of the Properties (the “**Properties Valuation**”) as at 31 May 2020 based on the Properties Valuation Report prepared by the Valuer as set out in Appendix V to the Circular. The following is a summary of the Properties Valuation.

Address	Usage	Approximate saleable area <i>(square feet (“sq.ft.”))</i>	Market value in existing state as at 31 May 2020
Property I Shop B on Ground Floor Man Kwong Court No. 12 Smithfield Kennedy Town Hong Kong	Retail shop	607	HK\$51,000,000
Property II Car Parking Space No. C47 Grand Excelsior No. 83 Waterloo Road Homantin Kowloon Hong Kong	Car park	N/A	HK\$2,100,000
Total:			<u>HK\$53,100,000</u>

For our due diligence purpose, we have reviewed and discussed with the Valuer (i) the methodology of, and basis and assumptions adopted for the Properties Valuation; (ii) the steps and due diligence measures taken by the Valuer; and (iii) details of the comparable transactions adopted for the valuation of the Properties as set out in the Properties Valuation Report in Appendix V to the Circular. We also understand from the Valuer that (i) the investment approach is a commonly adopted approach for valuation of properties which are under existing tenancies; and (ii) such

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approach is undertaken by capitalising the net rental income of the real properties being held under existing tenancies with due allowance for the reversionary values of the real properties. For the reversionary value of the Properties, the Valuer has mainly made reference to sales within the subject property as well as other relevant comparable sale evidences of properties of similar use type, subject to appropriate adjustments including but not limited to size, building age, time, location, frontage, depth and floor-to-floor height (as the case may be). They have also made adjustments to the applicable parameters deduced from those market comparable transactions in consideration of area of imperfect comparability. As the Properties are currently let to retail tenants, we therefore consider that the valuation methodology, bases and assumptions adopted in relation to the appraisal of the Properties by the Valuer are reasonable and in line with market practice.

Comparable market transactions of retail properties in Kennedy Town, Hong Kong were also collected and analysed by the Valuer. We note that comparable transactions were adjusted where the Valuer considered appropriate based on the differences in several aspects including size, building age, time, location, frontage, depth and floor-to-floor height between the comparable properties and the Properties. We have discussed with the Valuer on its selection criteria and note that the selection criteria for the comparable market transactions are of the same nature and similar size and location compared with the Properties. As a result, (i) three comparable transactions for the valuation of Property I (the “**Shop Comparables**”); and (ii) five comparable transactions for the valuation of Property II (the “**Carpark Comparables**”) were identified by the Valuer, which are exhaustive and were transacted between 2019 and 2020. Therefore, we consider the selection basis for the said comparable transactions is fair and reasonable.

It is also noted that (i) the adjusted unit rate of the Shop Comparables ranged from approximately HK\$79,449 to HK\$87,620 per sq.ft.; while the average unit rate of Property I was around HK\$84,020 per sq.ft.; and (ii) the adjusted price of the Carpark Comparables ranged from approximately HK\$1.8 million to HK\$2.5 million, while the adjusted average price of Property II is around HK\$2.1 million. For our cross-checking purpose, we have conducted independent desktop search and reviewed the unit rates of the Shop Comparables used in the market approach by the Valuer, and noted the unit rates of the Shop Comparables were similar to that adopted in the market approach. We made reference to the market transactions of private retail properties in Kennedy Town where Property I is located from May 2019 to April 2020 (the “**Shop Review Period**”) as extracted from the websites of Midland Realty at <https://www.midlandici.com.hk/ics/property/home> and Centaline Property Agency Limited at <http://oir.centanet.com> (collectively, the “**Websites**”), both being independent and leading property agencies in Hong Kong. We have identified nine completed transactions in Kennedy Town (the “**Shop Review Transactions**”) from the Websites during the Shop Review Period, three of which are the same as the Shop Comparables selected by the Valuer for the valuation of Property I, and note that the

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unit rates of these comparable transactions fall within the range of the Shop Comparables selected by the Valuer.

In relation to the car parking space, we have also performed desktop search on the market transactions in Homantin where Property II is located from May 2019 to June 2020 (the “**Carpark Review Period**”) as shown from the website of CarparkHK.com at <https://www.carparkhk.com>, an independent information platform established in 2011 for car parking spaces. We are able to identify 16 completed transaction at the building where the Carpark Comparables are located during the Carpark Review Period, of which five Carpark Comparables were those selected by the Valuer for the same period and note that the unit rates of these comparable transactions are in line with that of the Carpark Comparables selected by the Valuer.

As set out in the Properties Valuation Report, in arriving at the market value of the Properties, the Valuer complied with all the requirements contained in (i) Chapter 5 of the Listing Rules in relation to guidelines to valuation of and information on properties; and (ii) The Hong Kong Institute of Surveyors (the “**HKIS**”) Valuation Standards 2017 published by the HKIS.

Based on all of the foregoing, we concur with the Valuer’s view that: (i) the valuation methodologies adopted by the Valuer are common and appropriate for determining the market value of the Properties; and (ii) the bases and assumptions for the valuation of the Properties are customary bases and assumptions adopted in the investment approach, and hence are fair and reasonable. Nevertheless, the Independent Shareholders should note that valuation of the Properties usually involves certain assumptions and therefore the appraised value of the Properties of HK\$53.1 million as at 31 May 2020 may not reflect the actual transaction value sold in the market.

(ii) Valuation on the Target Company

We have taken into account the appraised value of the Target Company (the “**TargetCo Valuation**”) as at 31 May 2020 based on the TargetCo Valuation Report, as set out in Appendix VI to the Circular.

We have reviewed the TargetCo Valuation Report, held discussion with the Valuer and understand that the TargetCo Valuation could be conducted by four different generally accepted valuation methods, namely (1) the income approach; (2) the market approach; (3) the cost approach; and (4) the asset-based approach, in arriving at the market value of the entire equity interest in the Target Company.

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. We have discussed with the Valuer and noted that it is inappropriate to adopt the income approach for the appraised value of the Target Company as it requires high degree assumption and subjective judgement

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on the parameters, including projected net rental and projected market growth rate in the forecast period. Since the Target Company is an investment holding company, with the Properties being its main assets, the projection of future cash flows derived by the Properties requires a high degree of assumption and subjective judgement on the parameters, including projected net rental and projected market growth rate in the forecast period that are difficult to be projected with high certainty. Therefore, the adoption of income approach to arrive at the appraised value of the Target Company cannot reasonably provide the market value mainly due to the aforesaid limitation.

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. We have discussed with the Valuer and understood that the market approach is not applicable for the TargetCo Valuation because there is a lack of market transaction of company holding the same combination of assets (i.e. a shop, a car parking space and a club membership) as the Target Company.

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset. We understand from the Valuer that the cost approach is not applicable for the TargetCo Valuation because the replication cost of the Target Company may not represent the market value of the Target Company.

The asset-based approach provides an indication of value based on the principle that the sum of each asset and liability component represents the overall value of an entity. According to the TargetCo Valuation Report, we understood that the asset-based approach represents an asset-based method of determining the value of the assessed assets by considering the fair value of the Target Company by deducting the fair value of liabilities from the fair value of various assets.

Since the core assets of the Target Company consist of tangible assets (i.e. the Properties) and there are sufficient information for the Valuer to appraise the Target Company, the Valuer advised that, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise are factors considered in adopting the asset-based approach. Therefore the assets-based approach is the most appropriate valuation approach for the TargetCo Valuation and was adopted by the Valuer accordingly.

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According to the TargetCo Valuation Report, the Valuer assumed that the market values of all assets and liabilities of the Target Company, apart from the Properties and the Club Membership, as at the date of valuation are the same as the book values as at 31 May 2020. The Target Company has no other contingent asset or contingent liability as at the date of valuation besides its interest in the Properties, the Club Membership and the assets and liabilities stated in the financial position of the Target Company as at 31 May 2020, as extracted from the accountant's report on the Target Company in Appendix II to the Circular.

(a) Properties

For the valuation of the Properties, please refer to the details of sub-section headed "(i) Valuation on the Properties" above.

(b) Club Membership

As advised by the Valuer, the Valuer has considered market approach for the Club Membership which is held by the Target Company. The market value of the Club Membership is determined with reference of the selling price of the comparable club membership. The appraised value of the Club Membership increased by approximately HK\$1.5 million to HK\$1.7 million from its book value as at 31 May 2020. As discussed with the Valuer, such increase was mainly due to the price of the Club Membership currently quoted in the market as compared with its book value, which is the original acquisition cost at that time. Such market approach is a common methodology in establishing the valuation of club membership and complied with the relevant professional standard of valuation in Hong Kong.

According to the TargetCo Valuation Report, the market value of the Club Membership was estimated with reference to the selling price of comparable club membership. For our due diligence purpose, we have obtained the second-hand market price of the corporate membership of the Club as publicly quoted on the internet by a number of independent club membership agency firms (the "**Membership Quotations**") and we noted that the market value of the Club Membership at HK\$1.7 million falls at the mid-range of the Membership Quotations which ranged from HK\$1.5 million to HK\$1.9 million.

Based on all of the foregoing, we concur with the Valuer's view that: (i) the valuation methodologies adopted by the Valuer are common and appropriate for determining the market value of the entire equity interest of the Target Company; and (ii) the bases and assumptions for the valuation of the Target Company are fair and reasonable.

(iii) Our due diligence work on the Valuer

We have interviewed the Valuer and conducted an enquiry into their experiences and qualifications. We understand that Dr. Tony C.H. Cheng and Ms. Joannau W.F. Chan, the persons in charge of the Properties Valuation and the TargetCo Valuation respectively, have extensive experience in valuing similar assets as that of the Properties and the Target Company in various industries and locations. We understand that Dr. Cheng, the person in charge of the business valuation, has various engineering and accounting & finance qualifications. He is a Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers. Dr. Cheng is a Fellow member of the Institute of Public Accountants and the Institute of Financial Accountants. He is also a Fellow member and committee member of the Certified Management Accountants Australia, with extensive experience of over 25 years in valuing similar assets in different industries in Hong Kong and China. We also understand that Ms. Chan, the person in charge of the Properties Valuation, is an approved property valuer of the HKIS to undertake valuations for incorporation or reference in listing documents and circulars in connection with listing exercises and/or takeovers and mergers. Ms. Chan has extensive experience in providing professional valuation and consultancy services for landed properties situated in major cities of the PRC, Hong Kong, Macau and various locations in the Asia-Pacific region, such as Taiwan, Vietnam and Thailand in connection with listing, asset valuations for accounting use, corporate financing and merger and acquisition purposes.

We confirmed with the Valuer that it is not the Company's subsidiary or holding company or a subsidiary of the Company's holding company or any of its partners, directors or officers, is not an officer or servant or proposed director of the Company or the Company's subsidiary or holding company or of a subsidiary of the Company's holding company or any associated company.

With respect to the steps and due diligence measures taken by the Valuer in performing the valuation, we note that the Valuer mainly carried out its due diligence through on-site inspection, internal background check and conducted its own research on the key parameters adopted in the valuation.

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We have also reviewed the terms of engagement of the Valuer for the valuation, in particular the appropriateness of the scope of work. We noted the scope of work performed by the Valuer is consistent with the market practice and appropriate to give the opinion. Based on our review, we are not aware of any limitations on the scope of work which might have a negative impact on the degree of assurance given by the Valuation Reports.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's expertise and independence and we consider that the Valuer has sufficient expertise and is independent to perform the valuation.

(iv) Assessment on the Consideration

In determining the fairness and reasonableness of the Consideration, we have made reference to the market value of the Target Company based on the TargetCo Valuation Report, taking into account the waiver of an amount due to the sole director by the Target Company in the sum of HK\$7.0 million as at 31 May 2020, hence the value of the Target Company is calculated as approximately HK\$55.30 million (the "**Transaction Value**"), indicating the Consideration is at a discount of approximately 4.0% to the Transaction Value.

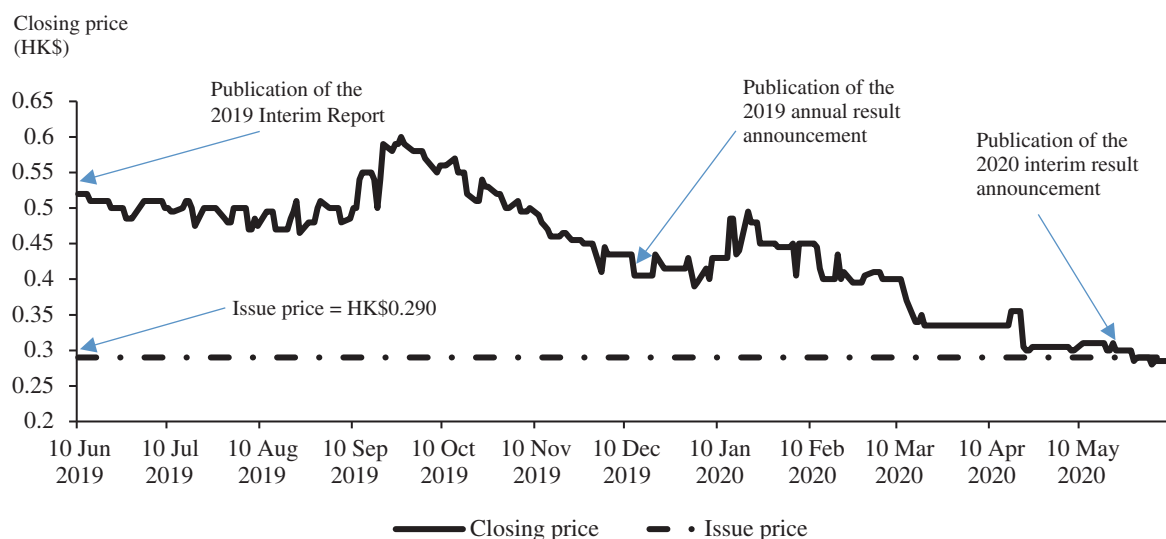
We note that the Board was aware of the fact that the Consideration is higher than the total original acquisition costs of the Properties, the Club Membership and the Vehicle incurred by the Vendor by approximately HK\$36.1 million or 210.5%. The Board have considered: (i) the Vendor acquired the Properties back in 2007, in which the acquisition price was determined based on the then prevailing market prices. The Properties Valuation as at 31 May 2020 has been conducted by the Valuer using a common and appropriate valuation methodology. Furthermore, according to the Centra-City Leading Index, which is extracted from the website of Centaline Property Agency Limited, the overall property market sentiment in Hong Kong has improved since 2007, with the increase in index from approximately 67.5 points by end December 2007 to approximately 180.3 points in June 2020, representing a significant leap of approximately 167.1%, thus indicating the general upward trend in property prices of the overall property market in Hong Kong since 2007; (ii) the Consideration was negotiated on an arm's length basis with reference to: (a) the Properties Valuation of approximately HK\$53.1 million as at 31 May 2020 by the Valuer; and (b) the TargetCo Valuation of approximately HK\$55.3 million as at 31 May 2020 by the Valuer; and (iii) the fact that the Consideration represents a discount of approximately 4.0% to the Transaction Value. Taking into account the above factors, we are of the view that the Consideration is fair and reasonable.

7. Assessment on the Issue Price of the Consideration Shares

7.1 Review of historical price movement of the Shares

The following exhibit the historical price movement of the Shares from 10 June 2019 (being approximately one year prior to the date of the Sale and Purchase Agreement) up to the date of the Sale and Purchase Agreement (the “**Review Period**”).

Chart 3: Movement of the Share Price during the Review Period



Source: the Stock Exchange

During the Review Period, the closing price of the Shares demonstrated a general decreasing trend from HK\$0.520 per Share on 10 June 2019 to the lowest of HK\$0.285 per Share on 8 June 2020, with an average of approximately HK\$0.440 per Share. The closing price of the Shares was at HK\$0.520 per Share on 10 June 2019, being the date of the publication of the Company’s 2019 annual result announcement, and the closing price of the Shares broadly exhibited a downward trend till late September 2019. The closing price of the Shares reached a high of HK\$0.600 per Share on 26 September 2019, being the highest point during the Review Period. We noted that the Hang Seng Index (“**HSI**”) decreased by approximately 5.6% from 27,578 to 26,041 between 10 June 2019 to 26 September 2019. Subsequently, the closing price of the Shares returned to a downward pattern for the remaining period in 2019. Following the publication of 2019 annual results announcement on 18 December 2019, the closing price of the Shares slightly rebound by late January 2020 and closed at HK\$0.495 per Share on 20 January 2020. The market continued to exert pressure on the Share price which saw the Share price movement trending downwards in early 2020. The closing price of the Shares continued to trade low, reaching HK\$0.285 per Share on 28 May 2020, being the lowest point during the Review Period, following

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the publication of the interim results announcement of the Company for 1H2020 on 26 May 2020. We noted that the HSI reached the highest of the Review Period at 29,056 on 17 January 2020, and subsequently declined by approximately 20.4% from 29,056 to 23,132 between 17 January 2020 to 28 May 2020.

We have discussed with the Management regarding the possible reasons for the decline in the Share price and the Management were not aware of any events that led to the decreasing trend in the Share price during the Review Period. We also noted that the HSI declined by approximately 10.2% from 27,578 to 24,776 during the Review Period. As such, we are of the view that such decrease may be attributable to the highly depressed market environment amidst social unrest and the COVID-19 pandemic outbreak.

Based on the above, we note that the Issue Price represents a discount over the historical market prices of the Shares in general, but is at a premium to the prevailing Share price. We consider that the comparison of the Issue Price with the prevailing Share price is a more relevant analysis as compared to the historical Share prices over the past twelve months when determining the fairness and reasonableness of the Issue Price as the current market price of the Shares directly reflect the value of the Shares at prevailing market conditions, which is at a general downward trend. Therefore, we are of the view that the Issue Price is fair and reasonable as it reflects the current market price.

7.2 Comparison with recent comparable transactions

In order to assess the fairness and reasonableness of the Issue Price, we have conducted a research, on a best effort basis, of recent notifiable transactions, including connected transactions, announced by companies listed on the Stock Exchange which involved the issuance of consideration shares (the “**Comparable Issues**”). We have considered the issue price of consideration shares to both connected persons and independent third parties in our research, since the issue prices of consideration shares are arrived based on prevailing market conditions regardless of whether the transactions involve connected persons or not and represent an unbiased reference on market terms, therefore providing a suitable reference in our evaluation of the Issue Price of the Consideration Shares. Based on our best endeavour and as far as we are aware, we have identified a total of 13 Comparable Issues, which was announced during the period from three months prior to and including 8 June 2020 (the “**Comparison Period**”), being the date of the Sale and Purchase Agreement, to provide a general reference for recent market practice in relation to the issuance of consideration shares under similar market condition. We consider that the Comparison Period is appropriate as we have adopted a three-month period for the selection of the Comparable Issues which in our opinion generated a reasonable and meaningful number of samples for our analysis purpose, therefore the Comparable Issues are a fair and representative sample.

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Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies undertaking the issuance of consideration shares may not be the same as those of the Company and we have not conducted any in-depth investigation into their business and operations. The targets involved are of different nature and size, and the issue price of consideration shares for each of the transactions may be subject to their respective circumstances such as different financial standing or business performance. As the Comparable Issues can provide a general reference of the key terms for similar transactions in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the Issue Price of the Consideration Shares.

Table 5: Analysis of the Comparable Issues

Date of announcement	Stock code	Name of company	Issue to connected person(s)	Premium/ (discount) of the issue price over/(to) the average closing price on the last five trading days up to and including the date of relevant agreement /last trading day (%)	Premium/ (discount) of the issue price over/(to) the average closing price on the last five trading days up to and including the date of relevant agreement/last trading day (%)	Premium/ (discount) of the issue price over/(to) the net asset value per share (%)
4 June 2020	1495	Jiyi Household International Holdings Limited	No	(7.14)	(5.25)	(20.21)
29 May 2020	1139	Victory Group Limited	No	(16.00)	(14.20)	2,400.00 (Note 2)
25 May 2020	61	Green Leader Holdings Group Limited	No	8.30	0	NA (Note 4)
21 May 2020	1810	Xiaomi Corporation	No	(13.50)	(10.60)	726.51 (Note 2)
14 May 2020	613	Planetree International Development Limited	No	29.90	10.10	82.13
11 May 2020	8195	L&A International Holdings Limited	No	(6.30)	0.70	5.92
29 April 2020	1717	Ausnutria Dairy Corporation Ltd	Yes	0.20	4.50	1,005.80 (Note 2)
29 April 2020	8360	AL Group Limited	No	37.93	26.58	1.58
23 April 2020	1566	CA Cultural Technology Group Limited	No	(1.52)	0.20	181.21 (Note 2)
17 April 2020	8363	SDM Group Holdings Limited	No	1.35 (Note 1)	1.63 (Note 1)	NA (Note 4)
6 April 2020	585	Imagi International Holdings Limited	No	9.38	8.70	(34.09)
3 April 2020	8536	TL Natural Gas Holdings Limited	No	6.67	3.23	(0.32)
2 April 2020	622	Oshidori International Holdings Limited	No	(14.98)	(15.32)	9.95
			Maximum	37.93	26.58	82.13
			Minimum	(64.90)	(61.40)	(34.09)
			Average	(2.19)	(3.65)	6.42
		The Company	Yes	1.75	1.40	(27.5)

Source: the Stock Exchange

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Notes:

1. The figures are calculated based on the issue price of HK\$1.500 per consideration share, the closing price of HK\$1.480 per share of SDM Group Holdings Limited (“SDM Share”) on 17 April 2020 and the average closing price of last five trading days up to and including 17 April 2020 of HK\$1.476 per SDM Share.
2. The figure has been excluded from the computations of maximum, minimum and average figures as it appears to be abnormally high as compared to the rest of the Comparable Issues and is considered as outlier which may skew the overall results.
3. The transaction of Asia Grocery Distribution Limited (8413.HK) as disclosed in the announcement dated 24 April 2020 was considered as an outlier and has been excluded from the Comparable Issues as its issue price represented exceptional high premium over its net asset value per share and a discount to its closing price per share for the last trading day, which may distort the result of our analysis, since we consider the transactions in relation to very substantial acquisition, reverse takeover and application for whitewash waiver are not of the same nature as the Acquisition.
4. Not applicable as the company has recorded net liabilities as disclosed on its latest financial statement.

As depicted in the above table, the issue price of the Comparable Issues to: (i) the closing price on the date of the relevant agreement/the last trading day prior to the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 37.93% to a discount of approximately 64.90%, with an average discount of approximately 2.19%; and (ii) the average closing price on the last five trading days prior to the announcements in relation to the respective Comparable Issues ranged from a premium of approximately 26.58% to a discount of approximately 61.40%, with an average discount of approximately 3.65%.

We note that the Issue Price represents: (i) a premium of approximately 1.40% to HK\$0.286, being the average closing price of the Shares for the last five trading days up to and including 5 June 2020, which is immediately preceding the date of the Sale and Purchase Agreement; (ii) a premium of approximately 1.75% to HK\$0.285, being the closing price of the Shares on 8 June 2020, which is the date of the Sale and Purchase Agreement; and (iii) a discount of approximately 27.5% to the consolidated net asset value per Share attributable to the Shareholders as at 31 March 2020. It therefore falls within the range of the Comparable Issues.

Considering: (i) the underlying issue prices of a majority of the Comparable Issues represent a discount to the then prevailing share price; (ii) the premium as represented by the Issue Price over the closing price on the date of the last trading day is above the average discount of the Comparable Issues; (iii) the premium as represented by the Issue Price over the average closing price of the last five trading days is above the average discount of the Comparable Issues; (iv) the discount as represented by the Issue Price to the consolidated net asset value per share falls within the range of a premium of approximately 82.13% to a discount of approximately 34.09%, with an average premium of approximately 6.42%; (v) the reasons and the

benefits of the Acquisition as previously discussed in the section headed “Reasons and benefits of the Acquisition” of this letter; and (vi) the generally decreasing trend of the closing price of the Shares during the Review Period, we considered the Issue Price of HK\$0.290 per Consideration Share to be fair and reasonable.

In light of the above, we are of the view that the principal terms of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement, including the Consideration and the Issue Price, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

8. Financial effects of the Acquisition

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company. As such, the operating results and the financial position of the Target Company, will be consolidated into the financial statements of the Group.

8.1 Earnings

According to the 2019 Annual Report, the Group recorded revenue of approximately HK\$378.5 million and profit attributable to the owners of the Company for FY2019 was approximately HK\$21.9 million. As set out in Appendix II of the Circular, the audited revenue of the Target Company for the year ended 31 October 2019 was approximately HK\$1.4 million. It is expected that the Acquisition will help to diversify the Group’s income stream through property investment and rental proceeds and will have a positive impact on the earnings of the Group.

8.2 Net asset value

According to the 2020 Interim Report, the unaudited total assets and total liabilities of the Group amounted to approximately HK\$252.4 million and HK\$34.8 million respectively, as at 31 March 2020. Assuming the Acquisition had been completed on 31 March 2020, the total assets and total liabilities of the Enlarged Group as at 31 March 2020, would increase to approximately HK\$282.6 million and HK\$35.2 million respectively, in accordance with the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to the Circular.

According to the 2020 Interim Report, the net asset value of the Group was approximately HK\$217.6 million as at 31 March 2020. Given the audited net asset value of the Target Company was approximately HK\$47.4 million (excluding the waiver of an amount due to the sole director by the Target Company in the sum of HK\$7.0 million) as at 31 May 2020, the net assets of the Group would increase from approximately HK\$217.6 million as at 31 March 2020 to approximately HK\$247.4 million on a pro forma basis, principally due to the issue of the Consideration Shares which would enlarge the capital base of the Company. On a per Share basis, the

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Group's net asset attributable to the owners of the Company as at 31 March 2020 was approximately HK\$0.46 per Share.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after Completion.

9. Shareholding structure of the Company

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

	As at the Latest Practicable Date and immediately prior to Completion		Immediately upon Completion	
	<i>No. of Shares held</i>	<i>Approximate percentage of total issued Shares</i>	<i>No. of Shares held</i>	<i>Approximate percentage of total issued Shares</i>
Name of Shareholder				
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%
Public Shareholders	<u>195,690,000</u>	<u>36.00%</u>	<u>195,690,000</u>	<u>30.41%</u>
Total:	<u><u>543,621,000</u></u>	<u><u>100%</u></u>	<u><u>643,621,000</u></u>	<u><u>100%</u></u>

Notes:

- 302,747,000 Shares are held by Greatly Success Investment Trading Limited which is wholly-owned by Mr. Ko Chun Hay Kelvin, the Vendor. 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.

As shown in the table above, the shareholdings in the Company held by the public Shareholders would be diluted from approximately 36.00% as at the Latest Practicable Date to approximately 30.41% immediately upon Completion.

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Notwithstanding the above, Independent Shareholders should note that (i) the Issue Price of the Consideration Shares is at premium above the closing prices of the Shares on the date of the Sale and Purchase Agreement, as analysed in the section headed “Assessment on the Issue Price of the Consideration Shares” above, and (ii) following Completion, the Target Company is expected to contribute positively to the Group. Therefore, we consider the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

RECOMMENDATION

In view of the above and having considered in particular that:

- (i) the Acquisition will diversify the Group’s income stream through property investment and rental proceeds;
- (ii) the Consideration is at a discount to the Transaction Value as appraised by the Valuer;
- (iii) the valuation methodologies used in the Properties Valuation and the TargetCo Valuation are fair and reasonable;
- (iv) the Issue Price of the Consideration Shares represents a premium to the closing price of the Shares on the date of the Sale and Purchase Agreement and falls within the range of the Comparable Issues; and
- (v) the combination of the Consideration Shares issuance and cash payment represent an appropriate mean for the settlement of the Consideration since it will preserve the financial resources of the Group whilst enlarge the capital base of the Group,

we are of the opinion that although the entering into of the Sale and Purchase Agreement was not in the ordinary and usual course of business of the Group, the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issuance of the Consideration Shares by a specific mandate, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited

Koh Kwai Yim
Managing Director

Kelly Hui
Director

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Ms. Koh Kwai Yim is the Managing Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 18 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Ms. Kelly Hui is the Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) and a representative to conduct Type 1 (dealing in securities) regulated activities. Ms. Hui has over 10 years of corporate finance experience and has participated in and completed various initial public offering, financial advisory and independent financial advisory transactions.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Financial information of the Group for the three years ended 30 September 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.goldenfaith.hk).

- 2019 annual report (pages 45 to 113):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1230/2019123000531.pdf>
- 2018 annual report (pages 45 to 95):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1231/ltn201812311087.pdf>
- 2017 annual report (pages 42 to 83):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0112/ltn20180112261.pdf>

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition and the financial resources and the banking facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK\$7.0 million, being the amount due to the sole director of the Target Company, which was unsecured, unguaranteed, interest free and repayable on demand. The Vendor confirmed that all the amount due to the sole director by the Target Company will be waived in full upon Completion in accordance with the Sale and Purchase Agreement. Lease liabilities of the Enlarged Group was approximately HK\$0.9 million. The Enlarged Group's bank facilities were secured by certain land and buildings of the Enlarged Group with total carrying value of approximately HK\$1.9 million.

Save as disclosed above, as at the close of business on 31 May 2020, the Enlarged Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or any outstanding term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2019, being the date to which the latest published audited consolidated financial statement of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**Prospects and Outlook**

The Group continued to engage in providing large scale electronic and maintenance 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.

Through the Acquisition, the Group will benefit from the diversification of business in properties investment in Hong Kong and increasing other source of income from rental proceeds.

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. Although the Group has already signed a few significant projects for the upcoming three years, the Group will look for diversification of business so as to minimize business risk for a long-term strategy. The Group has also 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 and maximizing the returns to the Shareholders.

**Moore Stephens CPA Limited**

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大華馬施雲
會計師事務所有限公司

The Board of Directors

Golden Faith Group Holdings Limited

Dear Sirs,

We report on the historical financial information of Richfield International Enterprise Limited (the “**Target Company**”) set out on pages II-4 to II-31, which comprises the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 October 2017, 2018 and 2019 and the seven months ended 31 May 2020 (the “**Relevant Periods**”), and the statements of financial position of the Target Company as at 31 October 2017, 2018 and 2019 and 31 May 2020 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-31 forms an integral part of this report, which has been prepared for inclusion in the circular of Golden Faith Group Holdings Limited (the “**Company**”) dated 16 July 2020 (the “**Circular**”) in connection with the proposed acquisition of 100% equity interest of the Target Company (the “**Proposed Acquisition**”) by the Company.

Directors’ responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and

plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 October 2017, 2018 and 2019 and 31 May 2020 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of comprehensive income, statement of changes in equity and statement of cash flows for the seven months ended 31 May 2019 and other explanatory information (the "**Interim Comparative Financial Information**"). The sole director of the Target Company is responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) *Engagements to Review Historical Financial Statements* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the

purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

No dividends have been paid by the Target Company in respect of the Relevant Periods.

Moore Stephens CPA Limited

Certified Public Accountants

Chu Mei Yue, Michelle

Practising Certificate Number: P05826

Hong Kong

16 July 2020

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

For the purpose of this report, the sole director of the Target Company has prepared the financial statements of the Target Company (the “**Underlying Financial Statements**”) for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. Moore Stephens CPA Limited was engaged to audit the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 October			Seven months ended	
		2017	2018	2019	31 May	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Revenue	7	1,440	1,420	1,440	840	588
Other income and gains	7	–	214	6,871	3,641	–
Fair value gain (loss) on investment properties	11	4,230	3,230	(10,090)	(1,920)	(100)
Administrative expenses		(1,030)	(1,067)	(4,715)	(2,521)	(198)
Profit (loss) before tax	8	4,640	3,797	(6,494)	40	290
Income tax expense	9	(86)	–	(61)	(40)	(18)
Profit (loss) and total comprehensive income (loss) for the year/period		<u>4,554</u>	<u>3,797</u>	<u>(6,555)</u>	<u>–</u>	<u>272</u>

STATEMENTS OF FINANCIAL POSITION

		At 31 October			At 31 May
		2017	2018	2019	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment	10	12,629	13,179	673	540
Investment properties	11	60,060	63,290	53,200	53,100
Intangible asset	12	245	245	245	245
		<u>72,934</u>	<u>76,714</u>	<u>54,118</u>	<u>53,885</u>
Current assets					
Tax recoverable		–	116	55	–
Bank balances and cash	13	<u>1,408</u>	<u>894</u>	<u>322</u>	<u>935</u>
		<u>1,408</u>	<u>1,010</u>	<u>377</u>	<u>935</u>
Current liabilities					
Accrued charges and rental deposits received		365	10	367	31
Due to sole director	14	24,051	23,651	6,980	6,962
Tax payable		<u>20</u>	<u>–</u>	<u>–</u>	<u>62</u>
		<u>24,436</u>	<u>23,661</u>	<u>7,347</u>	<u>7,055</u>
Net current liabilities		<u>(23,028)</u>	<u>(22,651)</u>	<u>(6,970)</u>	<u>(6,120)</u>
Non-current liabilities					
Rental deposits received		<u>–</u>	<u>360</u>	<u>–</u>	<u>345</u>
Net assets		<u>49,906</u>	<u>53,703</u>	<u>47,148</u>	<u>47,420</u>
Capital and reserve					
Share capital	15	800	800	800	800
Retained profits		<u>49,106</u>	<u>52,903</u>	<u>46,348</u>	<u>46,620</u>
Total equity		<u>49,906</u>	<u>53,703</u>	<u>47,148</u>	<u>47,420</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 November 2016	800	44,552	45,352
Profit for the year	–	4,554	4,554
Other comprehensive income for the year, net of income tax	–	–	–
At 31 October 2017 and 1 November 2017	800	49,106	49,906
Profit for the year	–	3,797	3,797
Other comprehensive income for the year, net of income tax	–	–	–
At 31 October 2018 and 1 November 2018	800	52,903	53,703
Loss for the year	–	(6,555)	(6,555)
Other comprehensive income for the year, net of income tax	–	–	–
At 31 October 2019 and 1 November 2019	800	46,348	47,148
Profit for the period	–	272	272
Other comprehensive income for the period, net of income tax	–	–	–
At 31 May 2020	800	46,620	47,420
Seven months ended 31 May 2019 (unaudited)	Share capital HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 November 2018	800	52,903	53,703
Profit for the period	–	–	–
Other comprehensive income for the period, net of income tax	–	–	–
At 31 May 2019	800	52,903	53,703

STATEMENTS OF CASH FLOWS

		Year ended 31 October			Seven months ended	
		2017	2018	2019	31 May	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
OPERATING ACTIVITIES						
Profit (loss) before tax		4,640	3,797	(6,494)	40	290
Adjustments for:						
Depreciation	8	374	368	422	285	133
Gain on disposal of property, plant and equipment	7	–	(210)	(6,871)	(3,641)	–
Fair value (gain) loss on investment properties		(4,230)	(3,230)	10,090	1,920	100
Operating cash flows before movements in working capital		784	725	(2,853)	(1,396)	523
Increase (decrease) in accrued charges and rental deposits received		–	5	(3)	(10)	9
Cash generated from (used in) operations		784	730	(2,856)	(1,406)	532
Income tax (paid) refunded		(31)	(136)	–	–	99
NET CASH GENERATED FROM (USED IN) OPERATIONS		753	594	(2,856)	(1,406)	631

		Year ended 31 October			Seven months ended	
		2017	2018	2019	31 May	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		–	(918)	–	–	–
Proceeds from disposal of property, plant and equipment		–	210	18,955	9,751	–
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		–	(708)	18,955	9,751	–
FINANCING ACTIVITIES						
Repayment of due to sole director		(1,196)	(400)	(16,671)	(8,980)	(18)
NET CASH USED IN FINANCING ACTIVITIES		(1,196)	(400)	(16,671)	(8,980)	(18)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(443)	(514)	(572)	(635)	613
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		1,851	1,408	894	894	322
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	13	1,408	894	322	259	935

NOTES TO THE HISTORICAL FINANCIAL STATEMENTS OF THE TARGET COMPANY

1. CORPORATE INFORMATION

The Target Company was incorporated in Hong Kong on 30 July 2004 with limited liability. The registered office and principal place of business of the Target Company is located at 15/F., Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong.

At 31 May 2020, in the opinion of the sole director of the Target Company, the sole member of the Target Company is Ko Chun Hay, Kelvin, a resident of Hong Kong and an Executive Director and a controlling shareholder of the Company.

The Target Company was principally engaged in property investment.

2. BASIS OF PREPARATION

- (a) The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rule**”) and the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared on the historical cost basis except for investment properties which have been measured at fair value, and is presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.
- (b) The financial information relating to the years ended 31 October 2017, 2018 and 2019, included in the Historical Financial Information of the Target Company does not constitute Target Company’s statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Target Company is not a public company, it is not required to deliver its financial statements to the Registrar of Companies as required by section 662 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Target Company’s auditor has reported on the financial statements of the Target Company for the years ended 31 October 2017, 2018 and 2019. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

3. NEW AND REVISED HKFRSs

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 May 2020. Based on the preliminary assessment by the sole director of the Target Company, the adoption of the following new and revised HKFRSs is unlikely to have a significant impact on the Target Company’s results of operations and financial position.

The Target Company has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKFRS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ²
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 June 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The Target Company measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Target Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The principal accounting policies are set out below:

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Target Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Company as a lessee***Short-term lease***

The Target Company applies the short-term lease recognition exemption to lease of property that has a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term lease are recognised as expense on a straight-line basis or another systematic basis over the lease term.

The Target Company as a lessor***Classification and measurement of leases***

Leases for which the Target Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense over the lease term on the same basis as the rental income.

Rental income which is derived from the Target Company ordinary course of business is presented as revenue.

Investment properties

Investment properties are properties held by the owner or by the lessee as a right-of-use asset to earn rentals or for capital appreciation or both, rather than for use in production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequently to initial recognition, investment properties are measured at their fair values. All of the Target Company's property interests held to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from change in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of assets is estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Target Company assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Company compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Property, plant and equipment

Property, plant and equipment held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible asset

Intangible asset represents a club membership with an indefinite useful live that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that is measured using the fair value model, the carrying amounts of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial recognition of a financial asset the Target Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Company may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Target Company performs impairment assessment under ECL model on financial assets (including bank balances and cash which are subject to impairment under HKFRS 9). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For bank balances and cash, the Target Company measures the impairment loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit impaired financial assets

A financial asset is credit impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities (including, accrued charges, rental deposits received and amount due to sole director) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currency translation

These Historical Financial Information are presented in Hong Kong dollars, which is the Target Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the Target Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the end of each reporting period exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss.

Provision

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Related parties

- (a) A person, or a close member of that person's family is related to the Target Company if that person:
 - (i) has control or joint control of the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of key management personnel of the Target Company or the Target Company's parent;
- or
- (b) An entity is related to the Target Company if any of the following conditions applies:
 - (i) the entity and the Target Company are members of the same group (which means that each parent, subsidiary and follow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

- (iii) the entity and the Target Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Target Company's accounting policies, which are described in Note 4, the sole director of the Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the critical judgments, apart from those involving estimations (see below), that the director has made in the process of applying the Target Company's accounting policies and that have the most significant effect on the amounts recognised in the financial Information.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the sole director of the Target Company has reviewed the Target Company's investment properties portfolios and concluded that the Target Company's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Target Company's deferred tax on investment properties, the sole director of the Target Company has determined that the presumption that the carrying amounts of investment properties measured using the fair value model is recovered entirely through sale is not rebutted. The Target Company has not recognised any deferred taxes on changes in fair value of investment properties as the Target Company is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

At the end of each reporting period, investment properties are stated at fair value based on the valuation performed by an independent firm of qualified professional valuer. In determining the fair value, the valuer has adopted the investment approach which involves certain estimates of market conditions. In relying on the valuation reports, the sole director of the Target Company has exercised his judgement and is satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Target Company's investment properties being recognised in the profit or loss. The carrying amount of investment properties measured at fair value was approximately HK\$60,060,000, HK\$63,290,000, HK\$53,200,000 and HK\$53,100,000 at 31 October 2017, 31 October 2018, 31 October 2019 and 31 May 2020, respectively.

6. SEGMENT INFORMATION**Operating segment information**

An operating segment is a component of the Target Company that is engaged in business activities from which the Target Company may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the sole director of the Target Company in order to allocate resources and assess performance of the segment. For the Relevant Periods, the sole director of the Target Company has determined that the Target Company has only one operating segment as the Target Company is principally engaged in property investment.

Geographical information

The Target Company's revenue during each of the Relevant Periods were all derived from external customers based in Hong Kong, and the Target Company's non-current assets, excluding the condominium, as at the end of each of the Relevant Periods were all located in Hong Kong.

Information about major customers

A summary of revenue earned from external customers which individually contributed more than 10% of the Target Company's total revenue during each of the Relevant Periods is set out below:

	Year ended 31 October			Seven months ended	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Tenant A	1,440	1,420	1,440	840	563

7. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Target Company's revenue and other income and gains is as follows:

	Year ended 31 October			Seven months ended 31 May	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000 (unaudited)	2020 HK\$'000
Rental income from investment properties	1,440	1,420	1,440	840	588
Other income and gains					
Gain on disposal of property, plant and equipment	–	210	6,871	3,641	–
Others	–	4	–	–	–
	–	214	6,871	3,641	–

8. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax is arriving at after charging:

	Year ended 31 October			Seven months ended 31 May	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000 (unaudited)	2020 HK\$'000
Depreciation	374	368	422	285	133
Properties management expenses	5	3	2	–	–
Expenses relating to a short-term lease	120	–	–	–	–
Staff costs	253	373	63	37	16
Auditor's remuneration	5	5	7	–	5

9. INCOME TAX EXPENSE

For the year ended 31 October 2017, provision for Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

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

Under the two-tiered profits tax rates regime, the first HK\$2 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%.

Accordingly, starting from the year ended 31 October 2018, Hong Kong Profits Tax of the Target Company 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.

	Year ended 31 October			Seven months ended 31 May	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Hong Kong Profits Tax					
– Current year	86	–	61	40	18

The income tax expense for the Relevant Periods can be reconciled to the profit (loss) before tax as follows:

	Year ended 31 October			Seven months ended 31 May	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit (loss) before tax	4,640	3,797	(6,494)	40	290
Tax at applicable tax rates	766	313	(536)	3	24
Tax effect of expenses not deductible for tax purpose	–	2	1,161	327	9
Tax effect of income not taxable for tax purpose	(699)	(284)	(567)	(300)	–
Temporary differences not recognised	49	(15)	23	17	5
Others	(30)	(16)	(20)	(7)	(20)
Income tax expense	86	–	61	40	18

No deferred tax has been provided in the Historical Financial Information as there were no material temporary differences at the end of each reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

	Condominiums <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 November 2016 and 31 October 2017	13,278	711	13,989
	-----	-----	-----
DEPRECIATION			
At 1 November 2016	471	515	986
Charge for the year	266	108	374
	-----	-----	-----
At 31 October 2017	737	623	1,360
	-----	-----	-----
CARRYING AMOUNTS			
31 October 2017	12,541	88	12,629
	=====	=====	=====
COST			
At 1 November 2017	13,278	711	13,989
Additions	–	918	918
Disposal	–	(431)	(431)
	-----	-----	-----
At 31 October 2018	13,278	1,198	14,476
	-----	-----	-----
DEPRECIATION			
At 1 November 2017	737	623	1,360
Charge for the year	266	102	368
Write back on disposals	–	(431)	(431)
	-----	-----	-----
At 31 October 2018	1,003	294	1,297
	-----	-----	-----
CARRYING AMOUNTS			
At 31 October 2018	12,275	904	13,179
	=====	=====	=====

	Condominiums <i>HK\$'000</i>	Motor Vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 November 2018	13,278	1,198	14,476
Disposal	<u>(13,278)</u>	<u>–</u>	<u>(13,278)</u>
At 31 October 2019	<u>–</u>	<u>1,198</u>	<u>1,198</u>
DEPRECIATION			
At 1 November 2018	1,003	294	1,297
Charge for the year	191	231	422
Disposal	<u>(1,194)</u>	<u>–</u>	<u>(1,194)</u>
At 31 October 2019	<u>–</u>	<u>525</u>	<u>525</u>
CARRYING AMOUNTS			
At 31 October 2019	<u>–</u>	<u>673</u>	<u>673</u>
COST			
At 1 November 2019 and 31 May 2020	<u>–</u>	<u>1,198</u>	<u>1,198</u>
DEPRECIATION			
At 1 November 2019	–	525	525
Charge for the period	<u>–</u>	<u>133</u>	<u>133</u>
At 31 May 2020	<u>–</u>	<u>658</u>	<u>658</u>
CARRYING AMOUNTS			
At 31 May 2020	<u>–</u>	<u>540</u>	<u>540</u>

The above property, plant and equipment are depreciated on the straight-line basis over their estimated useful lives, as follows:

Condominiums	50 years
Motor vehicles	4 years

In May 2019, one condominium was disposed of to an independent third party at a cash consideration of HK\$9,751,000.

In September 2019, another condominium was disposed of to an independent third party at a cash consideration of HK\$9,204,000.

Subsequent to the end of the Relevant Periods, in June 2020, the Target Company disposed of a motor vehicle with the carrying amount of HK\$540,000 at a cash consideration of HK\$800,000 to a company wholly-owned by the sole director of the Target Company which was offset with the amount due to sole director.

11. INVESTMENT PROPERTIES

	2017	At 31 October 2018	2019	At 31 May 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value				
Balance brought forward	55,830	60,060	63,290	53,200
Gain (loss) on investment properties	4,230	3,230	(10,090)	(100)
	<u>4,230</u>	<u>3,230</u>	<u>(10,090)</u>	<u>(100)</u>
Balance carried forward	<u>60,060</u>	<u>63,290</u>	<u>53,200</u>	<u>53,100</u>

Fair value measurement of investment properties

The fair values of the Target Company's investment properties as at the end of each reporting period have been arrived at on the basis of a valuation carried out by BMI Appraisals Limited ("BMI"). BMI is an independent qualified professional valuer, which is not connected with the Target Company.

The fair values of investment properties are level 3 fair value measurement. The reconciliation of the opening and closing fair value balance is shown above.

The fair values of investment properties were estimated using the investment approach. The investment approach was adopted in the valuations of the investment properties by capitalizing the net rental income of the real properties being held under existing tenancies with due allowance for the reversionary values of the real properties which is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy status. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions and the assumed reversionary yield rate and reversionary values of the real properties. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. These adjustments are based on unobservable inputs.

Significant unobservable inputs	Relationship of unobservable inputs to fair value	At 31 October 2017	At 31 October 2018	2019	At 31 May 2020
Reversionary yield	The higher the reversionary yield, the lower the fair value	2.4%	2.4%	2.9%	2.6%
Retail property – Selling price per unit of market comparables, taking into account of difference such as age and location	The higher the selling price per unit, the higher the fair value	HK\$95,553 per square feet	HK\$100,741 per square feet	HK\$84,807 per square feet	HK\$84,221 per square feet

There has been no change from the valuation technique used during the Relevant Periods.

The fair value measurements are based on the investment properties' highest and best use, which does not differ from the actual use.

During the Relevant Periods, there were no transfers into or out of Level 3 or any other level. The Target Company's policy is to recognise transfer between levels of fair value hierarchy as at the end of each reporting period in which they occur.

12. INTANGIBLE ASSET

	At 31 October			At 31 May
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Club membership, at cost	245	245	245	245

The club membership has indefinite useful life and is carried at cost less any accumulated impairment losses. In the opinion of the sole director of the Target Company, the fair value of the club membership is higher than the carrying amount.

13. BANK BALANCES AND CASH

	At 31 October			At 31 May
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Savings accounts	1,245	245	122	685
Current accounts	163	649	200	250
	1,408	894	322	935

14. DUE TO SOLE DIRECTOR

The amount due to sole director is unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	At 31 October			At 31 May
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issued and fully paid:				
800,000 ordinary shares	800	800	800	800

In accordance with Section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Target Company do not have a par value.

16. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statements of cash flows as cash flows from financing activities.

	Due to sole director HK\$'000
At 1 November 2016	25,247
Financing cash flows	
Repayment of due to sole director	(1,196)
At 31 October 2017 and 1 November 2017	24,051
Financing cash flows	
Repayment of due to sole director	(400)
At 31 October 2018 and 1 November 2018	23,651
Financing cash flows	
Repayment of due to sole director	(16,671)
At 31 October 2019 and 1 November 2019	6,980
Financing cash flows	
Repayment of due to sole director	(18)
At 31 May 2020	6,962
Seven months ended 31 May 2019 (unaudited)	
At 1 November 2018	23,651
Financing cash flows	
Repayment of due to sole director	(8,980)
At 31 May 2019	14,671

17. OPERATING LEASE ARRANGEMENTS AS LESSOR

The Target Company leases its investment properties under operating lease arrangements. The leases are negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits.

	At 31 October			At 31 May
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	744	1,440	748	1,380
In the second year	–	748	–	1,380
	<u>744</u>	<u>2,188</u>	<u>748</u>	<u>2,760</u>

18. RELATED PARTIES TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these Historical Financial Information, the Target Company had the following transactions with related parties during the Relevant Periods and the period covered by the Interim Comparative Financial Information:

	Year ended 31 October			Seven months ended	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Rental expenses paid to a related company	<u>120</u>	<u>30</u>	<u>–</u>	<u>–</u>	<u>–</u>

The related company is controlled by the sole director of the Target Company.

- (b) Compensation of key management personnel, which is the Target Company's sole director's remuneration during the year disclosed pursuant to Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, was as follows:

	Year ended 31 October			Seven months ended	
	2017	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Salaries and other benefits	<u>–</u>	<u>263</u>	<u>–</u>	<u>–</u>	<u>–</u>

19. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities of the Target Company as at 31 October 2017, 2018 and 2019 and 31 May 2020 were financial assets and financial liabilities stated at amortised cost, respectively.

20. CAPITAL MANAGERMENTS

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the balance between debt and equity. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of total equity of the Target Company, comprising of issued share capital and retained profits.

The sole director of the Target Company reviews the capital structure on a regular basis. As a part of this review, the sole director of the Target Company considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the Target's Director, the Target Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt.

21. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Target Company is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risk includes interest rate risk, credit risk and liquidity risk. The sole director of the Target Company reviews and agrees policies and procedures for the management of this risk. It is, and has been throughout the years under review, the Target Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Target Company's exposure to the above-mentioned financial risk and objectives, policies and processes for the management of this risk.

Interest rate risk

The Target Company's bank deposits earn interest income at floating interest rates which are exposed to cash flow interest-rate risk. The Target Company does not hedge its cash flow interest rate risk. The sole director of the Target Company considers that the Target Company's exposure of cash flow interest rate risk on the bank deposits is insignificant.

Credit risk

The carrying amounts of cash at banks represent the Target Company's maximum exposure to credit risk in relation to financial assets.

The credit risk on bank balances is minimal as all the Target Company's bank balances are held in major financial institutions located in Hong Kong, which the sole director believes are of high credit quality.

Liquidity risk

In the management of the liquidity risk, the sole director of the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Target Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Target Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities as at 31 October 2017, 2018 and 2019, and 31 May 2020 based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	On demand HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
At 31 October 2017				
Accrued charges and rental deposits received	–	365	–	365
Amount due to sole director	24,051	–	–	24,051
	<u>24,051</u>	<u>–</u>	<u>–</u>	<u>24,051</u>
	<u>24,051</u>	<u>365</u>	<u>–</u>	<u>24,416</u>
At 31 October 2018				
Accrued charges and rental deposits received	–	10	360	370
Amount due to sole director	23,651	–	–	23,651
	<u>23,651</u>	<u>–</u>	<u>–</u>	<u>23,651</u>
	<u>23,651</u>	<u>10</u>	<u>360</u>	<u>24,021</u>
At 31 October 2019				
Accrued charges and rental deposits received	–	367	–	367
Amount due to sole director	6,980	–	–	6,980
	<u>6,980</u>	<u>–</u>	<u>–</u>	<u>6,980</u>
	<u>6,980</u>	<u>367</u>	<u>–</u>	<u>7,347</u>
At 31 May 2020				
Accrued charges and rental deposits received	–	31	345	376
Amount due to sole director	6,962	–	–	6,962
	<u>6,962</u>	<u>–</u>	<u>–</u>	<u>6,962</u>
	<u>6,962</u>	<u>31</u>	<u>345</u>	<u>7,338</u>

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

For non-current financial assets and liabilities, in the opinion of the sole director of the Target Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 May 2020.

24. EVENT AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Target Company after 31 May 2020.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for the three years ended 31 October 2019 and the seven months ended 31 May 2019 and 2020 (“**Relevant Periods**”), which is based on the financial information of the Target Company as set out in Appendix II to this circular.

All references to “FY2017” means the financial period from 1 November 2016 to 31 October 2017, “FY2018” means the financial period from 1 November 2017 to 31 October 2018, and “FY2019” means the financial year from 1 November 2018 to 31 October 2019. Set out below is the management discussion and analysis of the Target Company for each of FY2017, FY2018 and FY2019.

FINANCIAL REVIEW

Set out below is the key financial information of the Target Company for FY2017, FY2018, FY2019 and the seven months ended 31 May 2019 and 2020.

	Seven months ended 31 May				
	FY2017	FY2018	FY2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	1,440	1,420	1,440	840	588
Other income and gains	–	214	6,871	3,641	–
Fair value gain (loss) on investment properties	4,230	3,230	(10,090)	(1,920)	(100)
Administrative expenses	(1,030)	(1,067)	(4,715)	(2,521)	(198)
Profit (loss) before tax	4,640	3,797	(6,494)	40	290
Income tax expense	(86)	–	(61)	(40)	(18)
Profit (loss) and total comprehensive income (loss) for the year/period	<u>4,554</u>	<u>3,797</u>	<u>(6,555)</u>	<u>–</u>	<u>272</u>

Revenue

The Target Company’s revenue represented gross rental income from the Properties.

Revenue have remained consistent at approximately HK\$1.4 million throughout FY2017 to FY2019, which was primarily due to the consistent amount of rental income received through the Properties. Revenue decreased from approximately HK\$0.8 million for the seven months ended 31 May 2019 to approximately HK\$0.6 million for the seven months ended 31 May 2020 primarily due to a one-off subsidy to the tenant of the Shop for the past year's social unrest.

Other income and gains

Other income and gains represent gain on disposal of property, plant and equipment and others.

Fair value gain (loss) on investment properties

The fair values of the Target Company's investment properties have been arrived at on the basis of valuation carried out by the Valuer. Please refer to Appendix V to this circular on the valuation reports of the Properties as at 31 May 2020 for more information.

Administrative expenses

Administrative expenses primarily consisted of (i) staff costs, (ii) traveling and office expense, (iii) professional fees and (iv) depreciation and amortization. Administrative expenses were approximately HK\$1.0 million, HK\$1.1 million, HK\$4.7 million, HK\$2.5 million and HK\$0.2 million respectively for FY2017, FY2018, FY2019 and the seven months ended 31 May 2019 and 2020. The changes over the Relevant Periods were primarily due to one-off legal and professional fees and taxes relating to the disposal of overseas properties during the year ended 31 October 2019.

Income tax expense

Income tax expense represents current tax expense in Hong Kong. Income tax expense was approximately HK\$86,000, nil, HK\$61,000, HK\$40,000 and HK\$18,000, respectively for FY2017, FY2018, FY2019 and the seven months ended 31 May 2019 and 2020.

Profit/loss for the year/period

Due to the above reasons, profit was approximately HK\$4.6 million and HK\$3.8 million, respectively for FY2017 and FY2018. We recorded loss of HK\$6.5 million for FY2019 and recorded profit of HK\$0.04 million and HK\$0.29 million for the seven months ended 31 May 2019 and 2020 respectively.

Financial Position***As at 31 October 2017***

As at 31 October 2017, the Target Company had non-current and current assets of approximately HK\$72.9 million and HK\$1.4 million, respectively.

As at 31 October 2017, the Target Company had current liabilities of approximately HK\$24.4 million.

As at 31 October 2017, the Target Company had net current liabilities of approximately HK\$23.0 million.

As at 31 October 2018

As at 31 October 2018, the Target Company had non-current and current assets of approximately HK\$76.7 million and HK\$1.0 million, respectively. Non-current assets as at 31 October 2018 increased compared with those as at 31 October 2017 primarily due to increase in fair value of investment properties. Current assets as at 31 October 2018 decreased compared with those as at 31 October 2017, which was primarily due to decrease in bank balances and cash.

As at 31 October 2018, the Target Company had current liabilities of approximately HK\$23.7 million.

As at 31 October 2018, the Target Company had net current liabilities of approximately HK\$22.7 million.

As at 31 October 2019

As at 31 October 2019, the Target Company had non-current and current assets of approximately HK\$54.1 million and HK\$0.4 million, respectively. Non-current assets as at 31 October 2019 decreased compared with those as at 31 October 2018 primarily due to decrease in fair value of investment properties. Current assets as at 31 October 2019 decreased compared with those as at 31 October 2018, which was primarily due to decrease in bank balances and cash.

As at 31 October 2019, the Target Company had current liabilities of approximately HK\$7.3 million.

As at 31 October 2019, the Target Company had net current liabilities of approximately HK\$7.0 million.

As at 31 May 2020

As at 31 May 2020, the Target Company had non-current and current assets of approximately HK\$53.9 million and HK\$0.9 million, respectively. Non-current assets as at 31 May 2020 decreased compared with those as at 31 October 2019 primarily due to decrease in fair value of investment properties. Current assets as at 31 May 2020 increased compared with those as at 31 October 2019 primarily due to increase in bank balances and cash.

As at 31 May 2020, the Target Company had current liabilities of approximately HK\$7.1 million.

As at 31 May 2020, the Target Company had net current liabilities of approximately HK\$6.1 million.

Liquidity, financial resources and capital structure

The Target Company recorded a net cash outflow of approximately HK\$443,000 in FY2017, which was mainly derived from net cash generated from operations reduced by repayment of due to sole director.

The Target Company recorded a net cash outflow of approximately HK\$514,000 in FY2018, which was mainly derived from net cash generated from operations reduced by repayment of due to sole director and the purchase of property, plant and equipment.

The Target Company recorded a net cash outflow of approximately HK\$572,000 in FY2019, which was mainly derived from net cash used in operations and repayment of due to sole director partially offset by proceeds from disposal of property, plant and equipment.

The Target Company recorded a net cash inflow of approximately HK\$613,000 for the seven months ended 31 May 2020, which was mainly derived from net cash from operations, partially offset by repayment of due to sole director.

Significant investments

The Target Company did not hold any significant equity investment as at 31 October 2017, 2018 and 2019 or plan for material investments or capital assets in future period.

Material investment, acquisition and disposal of subsidiaries and associated companies

The Target Company made the following disposal of investments:

1. In June 2020, the Target Company disposed of a vehicle of Maserati model at a consideration of HK\$0.8 million.

2. In September 2019, the Target Company disposed of a condominium in Hawaii at a consideration of approximately HK\$9.2 million.
3. In May 2019, the Target Company disposed of a condominium in Hawaii at a consideration of approximately HK\$9.8 million.

Save as disclosed, the Target Company did not have any material investment and had not entered into any material acquisitions and/or disposals of any of its subsidiaries and associated companies during the Relevant Periods.

Employment and remuneration policy

As at 31 October 2017, 31 October 2018 and 31 October 2019, the Target Company had less than 2 employees. Remuneration for employees for the year ended 31 October 2017, 31 October 2018 and 31 October 2019 amounts to approximately HK\$0.3 million, HK\$0.4 million (including HK\$0.3 million to the sole director) and HK\$0.1 million respectively. The remuneration of the employees of the Target Company is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews the employee remuneration policy and arrangement of the Target Company on a regular basis. Apart from pension and mandatory provident funds, the Target Company may grant discretionary bonus to employees as awards in accordance with individual performance.

Borrowings

There are no outstanding loans and/or borrowings made by the Target Company as at 31 October 2017, 31 October 2018 and 31 October 2019.

Charge on assets

There are no charge on assets to the Target Company as at 31 October 2017, 31 October 2018 and 31 October 2019.

Gearing ratio

The gearing ratio was calculated based on total borrowings divided by total equity as at the respective date. As at 31 October 2017, 31 October 2018 and 31 October 2019, the gearing ratio were 0%, 0% and 0% respectively as the Target Company did not have any borrowings.

Foreign Exchange Exposures

The Target Company has bank balances and cash, accrued charges, rental deposits received and amount due to a director which are denominated in HK\$.

The Target Company currently does not have a foreign currency hedging policy. The management monitors foreign exchange exposure and may consider hedging significant foreign currency exposure should the need arise.

Commitments

There are no commitments made by the Target Company as at 31 October 2017, 31 October 2018 and 31 October 2019.

Contingent liabilities

There are no contingent liabilities of the Target Company as at 31 October 2017, 31 October 2018 and 31 October 2019.

Dividend

The sole director of the Target Company resolved that there was no dividend attributable from FY2017 to FY2019 or proposed after FY2019.

The information set out in this appendix does not form part of the accountant's report in respect of the historical financial information of Richfield International Enterprise Limited prepared by Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, set out in Appendix II to this Circular and is included herein for the sole purpose of inclusion in this circular.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(1) Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) set out in section (2) below has been prepared by the Directors in accordance with paragraph 29(7) of Chapter 4 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 March 2020.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 31 March 2020 extracted from the Group's interim report for the six months ended 31 March 2020 dated 26 May 2020 and the financial information of the Target Company as at 31 May 2020 as set out in the accountant's report of the Target Company included in Appendix II to this circular, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further discussed in the section (2) below.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2020. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group, as extracted from the interim report of the Group for the six months ended 31 March 2020, the financial information of the Target Company, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

(2) Unaudited pro forma statement of assets and liabilities of the enlarged group

	The Group as at 31 March 2020 HK\$'000 (Note 1)	The Target Company as at 31 May 2020 HK\$'000 (Note 1)	Pro forma adjustments			Enlarged Group as at 31 March 2020 HK\$'000 (unaudited)
			HK\$'000 (Note 2a)	HK\$'000 (Note 2b)	HK\$'000 (Note 2c)	
Non-Current Assets						
Property, plant and equipment	3,048	540	(540)	–	–	3,048
Investment properties	–	53,100	–	–	–	53,100
Intangible asset	–	245	–	1,455	–	1,700
Right-of-use assets	1,179	–	–	–	–	1,179
Deferred tax assets	307	–	–	–	–	307
Deposits and prepayments	328	–	–	–	–	328
	<u>4,862</u>	<u>53,885</u>	<u>(540)</u>	<u>1,455</u>	<u>–</u>	<u>59,662</u>
Current assets						
Other receivables, deposits and prepayments	1,699	–	–	–	–	1,699
Contract assets	40,029	–	–	–	–	40,029
Pledged bank deposits	15,145	–	–	–	–	15,145
Short term bank deposits	43,574	–	–	–	–	43,574
Bank balances and cash	147,071	935	–	(24,800)	(746)	122,460
	<u>247,518</u>	<u>935</u>	<u>–</u>	<u>(24,800)</u>	<u>(746)</u>	<u>222,907</u>
Current liabilities						
Trade payables	11,606	–	–	–	–	11,606
Other payables and accrued charges	7,435	31	–	–	–	7,466
Contract liabilities	13,391	–	–	–	–	13,391
Lease liabilities	1,131	–	–	–	–	1,131
Amount due to a director	–	6,962	(800)	(6,162)	–	–
Tax liabilities	530	62	–	–	–	592
	<u>34,093</u>	<u>7,055</u>	<u>(800)</u>	<u>(6,162)</u>	<u>–</u>	<u>34,186</u>
Net current assets (liabilities)	<u>213,425</u>	<u>(6,120)</u>	<u>800</u>	<u>(18,638)</u>	<u>(746)</u>	<u>188,721</u>
Total assets less current liabilities	<u>218,287</u>	<u>47,765</u>	<u>260</u>	<u>(17,183)</u>	<u>(746)</u>	<u>248,383</u>

	The Group as at 31 March 2020 HK\$'000 (Note 1)	The Target Company as at 31 May 2020 HK\$'000 (Note 1)	Pro forma adjustments			Enlarged Group as at 31 March 2020 HK\$'000 (unaudited)
			HK\$'000 (Note 2a)	HK\$'000 (Note 2b)	HK\$'000 (Note 2c)	
Non-current liabilities						
Lease liabilities	69	–	–	–	–	69
Rental deposits received	–	345	–	–	–	345
Provisions	616	–	–	–	–	616
	685	345	–	–	–	1,030
Net assets	217,602	47,420	260	(17,183)	(746)	247,353

*Notes:***1. Basis of preparation**

This Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 29(7) of Chapter 4 of the Listing Rules and based upon: (i) the unaudited condensed consolidated statement of financial position of the Group as of 31 March 2020, which has been extracted from the interim report of the Company for the six months ended 31 March 2020 dated 26 May 2020; and (ii) the statement of financial position of the Target Company as of 31 May 2020, which has been extracted from the accountant's report on the Target Company included in Appendix II to this circular; and adjusted in accordance with the pro forma adjustments described in Note 2 below, as if the Acquisition had been completed on 31 March 2020. This Unaudited Pro Forma Financial Information has been prepared in a manner consistent with both the format and accounting policies adopted by the Company in its unaudited interim financial statements for the six months ended 31 March 2020.

2. Notes to the pro forma adjustments

- (a) In June 2020, the Target Company disposed of a motor vehicle with the carrying amount of HK\$540,000 at the consideration of HK\$800,000 to a related company wholly owned by the sole director of the Target Company which was offset with the amount due to sole director. The pro forma adjustment represents the disposal of the motor vehicle of HK\$800,000.
- (b) The Acquisition is considered by the Directors as an acquisition of a group of assets and liabilities, rather than an acquisition of a business, taking into account the requirements of Hong Kong Financial Reporting Standard 3 "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"), as substantially the assets acquired are just investment properties.

For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Directors have assessed the fair value of assets and liabilities acquired by the Group based on Directors' best estimate and with reference to the valuation performed by BMI Appraisals Limited.

Details of the fair value of the assets and liabilities of the Target Company acquired are as follows:

	Net assets as at 31 May 2020 HK\$'000	Pro forma adjustments HK\$'000 (Note 2(a))		Fair value as at 31 May 2020 HK\$'000
Property, plant and equipment (<i>see Note 2(a)</i>)	540	(540)	-	-
Investment properties	53,100	-	-	53,100
Intangible asset	245	-	1,455 (<i>Note i</i>)	1,700
Bank balance and cash	935	-	-	935
Other payables and accrued charges	(31)	-	-	(31)
Amount due to a director	(6,962)	800	6,162 (<i>Note ii</i>)	-
Tax liabilities	(62)	-	-	(62)
Rental deposits received	(345)	-	-	(345)
	<u>47,420</u>	<u>260</u>	<u>7,617</u>	<u>55,297</u>

Notes:

- (i) The amount of HK\$1,455,000 represents the fair value adjustment for the intangible asset (club debenture). The fair value as at 31 May 2020 is determined by reference to the valuation performed by BMI Appraisals Limited using the market approach. Upon completion of the Acquisition, the intangible asset of the Enlarged Group, for accounting purpose, will need to be remeasured based on the fair value of the assets and liabilities of the Target Company at the date of completion of the Acquisition. The actual financial effects may be different from the amount presented above.
- (ii) The amount of HK\$6,162,000 represents the waiver of the amount due to a director. The Vendor confirmed that all the amount due to a director by the Target Company will be waived in full upon Completion in accordance with the Sale and Purchase Agreement.

Pursuant to the Sales and Purchase Agreement, the Group has conditionally agreed to acquire the entire issued share capital of the Target Company for an aggregate consideration amounting to HK\$53,800,000, which will be partly settled by cash in the sum of HK\$24,800,000 and partly settled by the allotment and issuance of the consideration shares of 100,000,000 ordinary shares of the Company of HK\$0.01 each.

Upon the completion of the Acquisition, the Target Company would become an indirect wholly-owned subsidiary of the Company.

- (c) The amount represents the estimated amounts for legal and professional fees and other expenses payable by the Group related to the Acquisition. For the purpose of the Unaudited Pro Forma Financial Information, the transaction cost is assumed to be settled by cash as at 31 March 2020.
- (d) No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transaction of the Group entered into subsequent to 31 March 2020 and of the Target Company entered into subsequent to 31 May 2020. Unless otherwise stated, the adjustments above do not have a recurring effect.
- (e) For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that there were no material unidentifiable goods or services at the completion date of the Acquisition.

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE ENLARGED GROUP**

The following is the text of a report received from the reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, on the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared, for inclusion in this circular.

**Moore Stephens CPA Limited**

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Kowloon, Hong Kong

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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP***The Directors***Golden Faith Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Golden Faith Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2020 (the “**Unaudited Pro Forma Financial Information**”) as set out on pages IV-1 to IV-4 of the circular dated issued by the Company dated 16 July 2020 (the “**Circular**”) in connection with the proposed acquisition of the entire issued share capital of Richfield International Enterprise Limited (the “**Target Company**”) (the “**Acquisition**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed Acquisition on the Group's financial position as at 31 March 2020 as if the Acquisition had taken place at 31 March 2020. As part of this process, information about the Group's financial position as at 31 March 2020 has been extracted by the Directors from the Company's unaudited interim financial statements included in the interim report for the six months ended 31 March 2020 extracted from the interim report of the Group which was published on 26 May 2020.

Information about the Target Company's financial position has been extracted by the Directors from the financial information of the Target Company as at 31 May 2020, on which an accountant's report has been published in Appendix II to the Circular.

DIRECTORS' RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Finance Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the proposed Acquisition on unadjusted financial information of the Group as if the proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Enlarged Group, the proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Moore Stephens CPA Limited
Certified Public Accountants

Chu Mei Yue, Michelle
Practising Certificate Number: P05826

Hong Kong

16 July 2020

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 May 2020 of the real properties located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel 電話 : (852) 2593 9678 Fax 傳真 : (852) 2802 0863
Email 電郵 : enquiry@bmintelligence.com Website 網址 : www.bmi-appraisals.com

16 July 2020

Golden Faith Group Holdings Limited (the “Company”)

15/F, Honest Building
9–11 Leighton Road
Causeway Bay
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Golden Faith Group Holdings Limited (the “Company”) for us to value the real properties located in Hong Kong. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real properties as at 31 May 2020 (the “**valuation date**”).

BASIS OF VALUATION

Our valuations of the real properties have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

We have adopted Investment Approach by capitalizing the net rental income of the real properties being held under existing tenancies with due allowance for the reversionary values of the real properties.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry. We have been advised by the Company that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the real properties, we have relied on the advice given by the Company that the owners of the real properties have valid and enforceable titles to the real properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

The real properties were inspected by Mr. Lawrence Lee (MSc in Construction and Real Estate) in June 2020. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the real properties but have assumed that the floor areas shown on the

documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the real properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Joannau W. F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note: Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 27 years' experience in valuations of real properties in Hong Kong.

SUMMARY OF VALUES

Real properties held for investment in Hong Kong

No.	Real Property	Market Value in existing state as at 31 May 2020 HK\$
1.	Shop B on Ground Floor Man Kwong Court No. 12 Smithfield Kennedy Town Hong Kong	51,000,000
2.	Car Parking Space No. C47 Grand Excelsior No. 83 Waterloo Road Homantin Kowloon Hong Kong	2,100,000
		<hr/> Total: <u><u>53,100,000</u></u>

VALUATION CERTIFICATE

Real properties held for investment in Hong Kong

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2020 HK\$
1.	Shop B on Ground Floor Man Kwong Court No. 12 Smithfield Kennedy Town Hong Kong 371 of 14,668 equal and undivided shares of and in Sub-Section 2 of Section B of Inland Lot No. 954, Sub-Section 3 of Section B of Inland Lot No. 954, the Remaining Portion of Section B of Inland Lot No. 954 and Sub-Section 3 of Section E of Inland Lot No. 954	The real property comprises a shop on the Ground Floor of Man Kwong Court, a 26-storey (including a 3-storey commercial podium) composite building completed in about 1991. The saleable area of the real property is approximately 607 sq.ft. (or about 56.4 sq.m.) The real property is held under a Government Lease for a term of 999 years commencing on 24 June 1892.	Pursuant to a tenancy agreement dated 21 January 2020, the real property is leased to a third party at a monthly rent of HK\$115,000 for a term of 2 years commencing on 7 July 2020 and expiring on 6 July 2022 (exclusive of rates, government rent, management fee) for commercial purpose.	51,000,000

Notes:

1. The registered owner of the real property is Richfield International Enterprise Limited vide Memorial No. 07092100860011 dated 31 August 2007.
2. The real property is subject to a Deed of Mutual Covenant vide Memorial No. UB4777714 dated 20 April 1991.
3. The real property is located in Kennedy Town district of Hong Kong which is within about 2 minutes' walking distance to the MTR Kennedy Town Station. The immediate locality is a residential area.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2020 HK\$
2.	Car Parking Space No. C47 Grand Excelsior No. 83 Waterloo Road Homantin Kowloon Hong Kong 10/17,380 of equal and undivided shares of and in the Remaining Portion of Kowloon Inland Lot No. 2214	The real property comprises a car parking space on the 3 rd Floor of Grand Excelsior, a 32-storey (including a 4-storey podium) residential building completed in about 2002. The real property is held under a Government Lease for a term of 75 years renewable for a further term of 75 years commencing on 26 August 1929.	Pursuant to a tenancy agreement dated 1 November 2019, the real property is leased to a third party at a monthly rent of HK\$3,500 for a term of 1 year commencing on 1 November 2019 and expiring on 31 October 2020 (inclusive of rates and management fee) for car parking purpose.	2,100,000

Notes:

1. The registered owner of the real property is Richfield International Enterprise Limited vide Memorial No. 07012600410021 dated 8 January 2007.
2. The real property is subject to a Certificate of Compliance vide Memorial No. UB8860685 dated 16 January 2003.
3. The real property is subject to a Deed of Mutual Covenant with Plans incorporating Management Agreement vide Memorial No. UB8886685 dated 18 February 2003.
4. The real property is located in Homantin district of Kowloon, Hong Kong, which is a well-established residential area comprising mainly luxurious detached houses and high-rise apartments of various designs and ages. Further, the commercial hub of Mongkok is within about 10 minutes' driving distance from the real property.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with the valuation of 100% equity interest of the Target Company as at 31 May 2020.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel 電話 : (852) 2593 9678 Fax 傳真 : (852) 2802 0863
Email 電郵 : enquiry@bmintelligence.com Website 網址 : www.bmi-appraisals.com

16 July 2020

The Directors

Golden Faith Group Holdings Limited

15/F, Honest Building
9-11 Leighton Road
Causeway Bay
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest in Richfield International Enterprise Limited

1. INSTRUCTIONS

We refer to the instructions from Golden Faith Group Holdings Limited (referred to as the “**Company**”) for us to provide our independent opinion on the market value of 100% equity interest in Richfield International Enterprise Limited (referred to as the “**Target Company**”).

2. DATE OF VALUATION

The date of valuation is 31 May 2020.

3. BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

4. BACKGROUND OF THE COMPANY AND THE TARGET COMPANY

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Cayman Islands and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2863) since 2017. The Company is principally engaged in the provision of electrical engineering services in Hong Kong and trading of electrical products in the People's Republic of China (referred to as the “**PRC**”).

Background of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability principally engaged in property investment. Its major assets are as follows:

1. Shop B on Ground Floor, Man Kwong Court, No. 12 Smithfield, Kennedy Town, Hong Kong;
2. Car Parking Space No. C47, Grand Excelsior, No. 83 Waterloo Road, Kowloon (the shop and the car parking space collectively referred to as the “**Properties**”); and
3. The Craigengower Cricket Club (referred to as the “**Club**”) membership in Hong Kong.

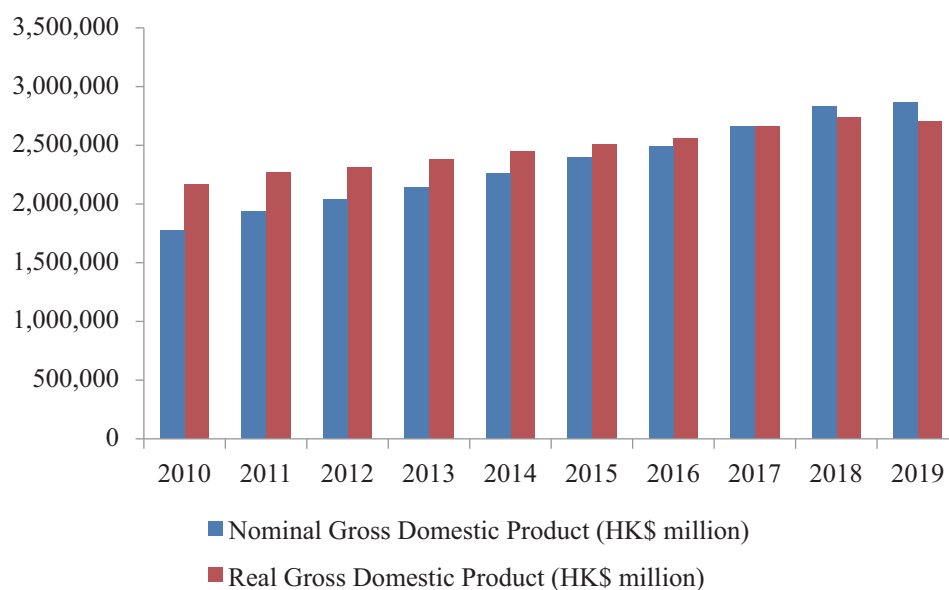
5. INDUSTRY OVERVIEW

Hong Kong Economy

Hong Kong is a popular venue for hosting regional headquarters or representative offices for multinational companies to manage their businesses in the Asia Pacific, particularly the Chinese mainland. In 2019, Hong Kong recorded HK\$2,868,171 million in gross domestic product (GDP). Figure 1 illustrates the trend of Hong Kong's GDP from 2010 to 2019.

According to the statistics from Hong Kong Census and Statistics Department, the economy of Hong Kong has shrunk by 1.19% in real terms in 2019. Figure 2 illustrates the trend of Hong Kong's GDP growth rate from 2010 to 2019.

Figure 1: Trend of Gross Domestic Product of Hong Kong, 2010–2019



Source: Hong Kong Census and Statistics Department

Figure 2: Trend of GDP Growth Rate of Hong Kong, 2010–2019



Source: Hong Kong Census and Statistics Department

Based on the 2019 Economic Background and 2020 Prospects published by the Government of Hong Kong Special Administrative Region, for 2020, the government forecast that the economy is going to grow by –1.5% to 0.5% in real terms with the consideration of the boosting effect from the measures in the 2020–21 Budget and the additional helping measures introduced since August 2019.

6. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of the Target Company provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industry information and statistical figures from publicly available sources.

7. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of the Target Company;
- Obtained relevant financial and operational information in respect of the Target Company from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of the Target Company provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

8. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Company is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Target Company is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Company or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of the Target Company or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Company or similar products and/or services; and
- The market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Company have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of the Target Company will not differ materially from those of present or expected;

- The financial and operational information in respect of the Target Company have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Target Company;
- The Target Company currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Company, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Company;
- The Target Company has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of the Target Company will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Company;
- The senior management of the Target Company has sufficient knowledge and experience in respect of the operation of the Target Company, and the turnover of any director, management or key person will not affect the operation of the Target Company;
- The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Company; and
- The senior management of the Target Company has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Company.

9. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; (3) the cost approach; and (4) the asset-based approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline publicly-traded comparable method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The guideline transactions method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Asset-based Approach

The asset-based approach provides an indication of value based on the principle that the sum of each asset and liability component represents the overall value of an entity. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt).

In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy the stocks of the business enterprise (equity) and investors who lend

money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operations, their sum equals the value of the business enterprise.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The asset-based approach was considered to be the most appropriate valuation approach in the valuation.

10. VALUATION METHODOLOGY

In our valuation, it is assumed that the market values of all assets and liabilities of the Target Company apart from the Properties and the Club membership as at the date of valuation are the same as the book values as at 31 May 2020, and the Target Company has no other asset, liability, contingent asset or contingent liability as at the date of valuation besides its interest in the Properties, Club membership and the assets and liabilities stated in the below statement of financial position as at 31 May 2020.

Properties

The Investment Approach was adopted in the valuations of the Properties by capitalizing the net rental income of the real properties being held under existing tenancies with due allowance for the reversionary values of the real properties.

Club membership

The market approach was adopted in the valuation of the Club membership. The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. In the valuation of the Club membership, second-hand market price quotes of the Club membership were obtained through membership services agencies.

According to the statement of financial position of the Target Company as at 31 May 2020, the net asset value of the Target Company was as follows:

Target Company As at 31 May 2020	Value Per Accountant's Report (HK\$)	Market Value (HK\$)
ASSETS		
Non-current Assets		
Property, plant and equipment	540,000	540,000
Properties	53,100,000	53,100,000
Club membership	245,000	1,700,000
	<u>53,885,000</u>	<u>55,340,000</u>
Current Assets		
Cash at banks	<u>935,000</u>	<u>935,000</u>
	<u>935,000</u>	<u>935,000</u>
Total Assets	<u>54,820,000</u>	<u>56,275,000</u>
LIABILITIES		
Current Liabilities		
Accrued charges and rental deposits received	31,000	31,000
Amount due to the director	6,962,000	6,962,000
Tax payable	<u>62,000</u>	<u>62,000</u>
	<u>7,055,000</u>	<u>7,055,000</u>
Non-current Liabilities		
Rental deposits received	<u>345,000</u>	<u>345,000</u>
	<u>345,000</u>	<u>345,000</u>
Total Liabilities	<u>7,400,000</u>	<u>7,400,000</u>
NET ASSETS/(LIABILITIES)	<u><u>47,420,000</u></u>	<u><u>48,875,000</u></u>

In June 2020, the Target Company disposed of a motor vehicle included in Property, plant and equipment with the carrying amount of HK\$540,000 at a cash consideration of HK\$800,000 to a company wholly-owned by the sole director of the Target Company which was offset with the amount due to the director.

As at 31 May 2020, there was an amount due to the director by the Target Company of HK\$6,962,000. Mr. Ko Chun Hay Kelvin (referred to as the “**Vendor**”) confirmed that all the amount due to the director by the Target Company will be waived in full upon completion of the acquisition.

For the purpose of incorporation in this circular, our concluded market value of 100% equity interest in the Target Company has been adjusted for the aforementioned disposal of the motor vehicle and the waiver of the amount due to the director.

11. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, the Target Company or the result reported. In addition, our directors are neither directors nor officers of the Company or the Target Company.

In the course of our valuation, we are acting independently of all parties.

Our fees are agreed on a lump-sum basis and are not correlated with the result of our valuation.

12. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

13. CONCLUSION OF VALUE

Based on our analysis outlined in this report, it is our independent opinion that the market value of 100% equity interest in Richfield International Enterprise Limited (i.e. the Target Company) as at 31 May 2020 was **HK\$55,300,000 (HONG KONG DOLLARS FIFTY FIVE MILLION AND THREE HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng

*BSc(Bldg), MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCIArb, MASCE, MHKIE, MIEEE, MASME, MIIE, MASM, MIET
Managing Director*

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in Hong Kong and the PRC.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately following the allotment and issue of the Consideration Shares (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of the Consideration Shares in full other than the issue of the Consideration Shares by the Company) will be as follows:

As at the Latest Practicable Date

HK\$

Authorised:

<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
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Issued and fully paid or credited as fully paid:

<u>543,621,000</u>	Shares of HK\$0.01 each	<u>5,436,210</u>
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Immediately following the allotment and issue of the Consideration Shares (assuming there will be no change to the total number of Shares in issue from the Latest Practicable Date to the date of issue of the Consideration Shares in full other than the issue of the Consideration Shares by the Company)

HK\$

Authorised:

<u>10,000,000,000</u>	Shares of HK\$0.01 each	<u>100,000,000</u>
-----------------------	-------------------------	--------------------

Issued and fully paid or credited as fully paid:

<u>543,621,000</u>	Shares of HK\$0.01 each	<u>5,436,210</u>
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<u>100,000,000</u>	Consideration Shares to be allotted and issued	<u>1,000,000</u>
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<u>643,621,000</u>		<u>6,436,210</u>
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The Consideration Shares, credited as fully paid and free from all encumbrances if and when issued, shall rank pari passu in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of allotment of the Consideration Shares.

The Consideration Shares (if any) will be allotted and issued under the specific mandate to be sought from the Shareholders at the EGM. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

3. DISCLOSURE OF INTERESTS

(a) Interest in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Capacity	Notes	Number of ordinary shares held (long position)	Number of underlying shares held (long position)	% of the Company's issued share capital
Mr. Ko Chun Hay, Kelvin	Beneficial owner	1	4,758,000	5,370,000	1.86%
	Interests of controlled corporation	2	302,747,000	–	55.69%
Mr. Yung On Wah	Beneficial owner		4,305,000	–	0.79%
	Interests of controlled corporation	3	32,500,000	–	5.98%
Mr. Li Kar Fai, Peter	Beneficial owner	1	3,621,000	1,749,000	0.99%

Notes:

1. Details of the underlying shares of the Company held by the Directors are set out under the Company's share option scheme approved and adopted by written resolutions of our then Shareholders on 22 July 2017.
2. These shares are held by Greatly Success Investment Trading Limited which is wholly-owned by Mr. Ko Chun Hay, Kelvin.
3. These shares are held by Superior Ace Investments Limited which is wholly-owned by Mr. Yung On Wah.

Save as disclosed above, none of the Directors nor chief executives and their associates of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2019, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares, which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Directors	Capacity	Number of ordinary shares held (long position)	Number of underlying shares held (long position)	% of the Company's issued share capital
Greatly Success Investment Trading Limited (<i>Note 1</i>)	Beneficial owner	302,747,000	–	55.69%
Superior Ace Investments Limited (<i>Note 2</i>)	Beneficial owner	32,500,000	–	5.98%
Mr. Cheung Kam Fai	Beneficial owner	49,993,000	–	9.20%
Fast Upward Investment Development Limited (<i>Note 3</i>)	Beneficial owner	32,500,000	–	5.98%

Notes:

1. Greatly Success Investment Trading Limited is wholly owned by Mr. Ko Chun Hay, Kelvin who is an Executive Director of the Company.
2. Superior Ace Investments Limited is wholly owned by Mr. Yung On Wah who is the Chairman and a Non-executive Director of the Company.

3. Fast Upward Investment Development Limited is wholly owned by Mr. Pu Li Wei.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other persons (other than the Directors and the chief executive of the Company) who had any interest or short position in the Shares or underlying Shares that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

5. INTERESTS IN CONTRACT OR ARRANGEMENTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 September 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatening against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding up to and including the Latest Practicable Date:

- (a) Sale and Purchase Agreement.

8. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Opus Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Moore Stephens CPA Limited	Certified Public Accountant
BMI Appraisals Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts:

- (1) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group;
- (2) had no interests, direct or indirect, in any assets which had been, since 30 September 2019 being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter, report or opinion and reference to its name in the form and context in which they respectively appear.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

10. CORPORATE INFORMATION OF THE COMPANY

Registered office:	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head Office and Principal Place of Business in Hong Kong:	15/F, Honest Building 9–11 Leighton Road Causeway Bay Hong Kong
Hong Kong branch share registrar and transfer office:	Union Registrars Limited Suites 3301–04, 33/F. Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong
Company secretary	Mr. Li Kar Fai, Peter (CPA)

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any business day at the principal place of business of the Company in Hong Kong at 15/F, Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong from the date of this circular up to and including 3 August 2020:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 30 September 2019;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;
- (e) the valuation report prepared by the Valuer on the Properties, the text of which is set out in Appendix V to this circular;
- (f) the valuation report prepared by the Valuer on the Target Company, the text of which is set out in Appendix VI to this circular;

- (g) the accountant's report on the Target Company prepared by Moore Stephens CPA Limited on the Target Company, the text of which is set out in Appendix II to this circular;
- (h) the written consents of experts referred to in the paragraph headed "8. Experts and Consents" in this Appendix;
- (i) the unaudited pro forma financial information on the Enlarged Group prepared by Moore Stephens CPA Limited, the text of which is set out in Appendix IV to this circular;
- (j) the material contracts referred to in the paragraph headed "7. Material Contracts" in this Appendix; and
- (k) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Golden Faith Group Holdings Limited (the “**Company**”) will be held at 15/F, Honest Building, 9–11 Leighton Road, Causeway Bay, Hong Kong on Monday, 3 August 2020 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the passing of ordinary resolution numbered 2 herein:
 - (a) the sale and purchase agreement dated 8 June 2020 (the “**Agreement**”) and entered into among, Ko Chun Hay Kelvin (the “**Vendor**”), KF Strategic Capital Limited (the “**Purchaser**”) and Richfield International Enterprise Limited (copy of the Agreement is tabled at the meeting and marked “A” and signed by the chairman of the meeting for identification purpose) pursuant to which, among others, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, 800,000 issued ordinary shares of Richfield International Enterprise Limited (the “**Target Company**”), representing the entire issued share capital of the Target Company (the “**Acquisition**”), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
 - (b) any one director of the Company (the “**Director(s)**”) be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder”.
2. “**THAT** subject to the passing of ordinary resolution numbered 1 herein and the Listing Committee to The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares (as defined below), the Directors be and are hereby granted a specific mandate (the “**Specific Mandate**”) which shall entitle the Directors to exercise all the powers of the Company to (i) allot and issue up to 100,000,000 new ordinary shares of the Company (the “**Consideration Shares**”) at the issue price of HK\$0.290 per Consideration Share to the Vendor (or its nominee(s) as it may direct) as part of the consideration for the Acquisition subject to the terms and conditions of the Agreement, where such Consideration Shares shall rank *pari passu* in all respects with the other ordinary shares of the Company in issue

NOTICE OF EXTRAORDINARY GENERAL MEETING

or to be issued by the Company on or prior to the date of allotment of the Consideration Shares; and (ii) credit the Consideration Shares as fully paid and register the Consideration Shares in the name of the Vendor (or its nominee(s) as it may direct) on the Hong Kong branch register of members of the Company subject to the terms and conditions of the Agreement, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke, any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution.”

By order of the Board
GOLDEN FAITH GROUP HOLDINGS LIMITED
Li Kar Fai, Peter
Executive Director

Hong Kong, 16 July 2020

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

15/F, Honest Building
9–11 Leighton Road
Causeway Bay
Hong Kong

Notes:

1. In order to determine entitlements of the shareholders of the Company to attend and vote at the extraordinary general meeting of the Company to be held on Monday, 3 August 2020 (the “EGM”), the register of members of the Company will be closed from Wednesday, 29 July 2020 to Monday, 3 August 2020, both days inclusive, during which period no transfer of Shares will be effected. All transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, 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 Tuesday, 28 July 2020.
2. A shareholder entitled to attend and vote at the EGM is entitled to appoint a person or persons (who must be individual) as his or her proxy or proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
4. Delivery of an instrument appointing a proxy will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof; in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. If Typhoon Signal No. 8 or above is hoisted, or a “black” rainstorm warning signal or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.goldenfaith.hk and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.