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F8 ENTERPRISES (HOLDINGS) GROUP LIMITED

F 8 企 業 (控 股) 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8347)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Placing Agent



恒明珠證券有限公司

ETERNAL PEARL SECURITIES LTD.

THE PLACING

On 6 December 2018 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for the Convertible Bonds in the aggregate principal amount of not more than HK\$40,000,000 at the initial Conversion Price of HK\$1.0 per Share.

Upon Completion and assuming there is full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.0 per Share, an aggregate of 40,000,000 Conversion Shares shall be allotted and issued, representing approximately 5% of the total number of Shares in issue as at the date of this announcement and approximately 4.76% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company (if any)).

The initial Conversion Price of HK\$1.0 per Conversion Share represents (i) a premium of approximately 69.49% to the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 5 December 2018, being the last trading day prior to the date of the Placing Agreement; and (ii) a premium of approximately 63.93% to the average closing price of HK\$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

As the Conversion Shares will be allotted and issued under the General Mandate, the allotment and issue of the Conversion Shares are not subject to the Shareholders' approval. Assuming the Convertible Bonds in the principal amount of HK\$40,000,000 are issued by the Company, the net proceeds (after deducting the placing commission and other expenses) will be approximately HK\$39.6 million. Assuming the Convertible Bonds are fully placed and the conversion rights of all the Convertible Bonds are exercised, the net price for the Placing is approximately HK\$0.99 per Conversion Share. The Directors intend to apply the net proceeds from the Placing for general working capital and business expansion of the Group.

As Completion is subject to the satisfaction of the conditions under the Placing Agreement, the Placing may or may not proceed. Shareholders and the potential investors are reminded to exercise caution when dealing in the Shares.

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for listing of the Convertible Bonds.

On 6 December 2018 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placées to subscribe for the Convertible Bonds in the aggregate principal amount of not more than HK\$40,000,000 at the initial Conversion Price of HK\$1.0 per Share.

THE PLACING AGREEMENT

Date: 6 December 2018 (after trading hours)

Parties:

(a) Issuer: The Company

(b) Placing Agent: Eternal Pearl Securities Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Upon Completion and assuming there is full conversion of the Convertible Bonds at the initial Conversion Price of HK\$1.0 per Share, an aggregate of 40,000,000 Conversion Shares shall be allotted and issued, representing approximately 5% of the total number of Shares in issue as at the date of this announcement and approximately 4.76% of the total number of Shares in issue as enlarged by the allotment and issue of the Conversion Shares (assuming no other change in the issued share capital of the Company (if any)).

Placees

The Placing Agent shall ensure that the Placees (being individual, corporate or other investors) and their ultimate beneficial owners are Independent Third Parties and not connected persons of the Company and that none of the Placees will become a substantial Shareholder as a result of the placing of the Convertible Bonds subscribed by him/her/it on fully converted basis as at the date of Completion (taking into account other securities held by such Placee at the time of his/her/its subscription of the Convertible Bonds).

Placing commission payable to the Placing Agent

The Placing Agent will receive a placing commission calculated as 1.0% of the amount equal to the aggregate value of the Convertible Bonds in respect of which Placees have actually been procured by the Placing Agent to subscribe for the Convertible Bonds at the principal value of the Convertible Bonds.

The placing commission was negotiated on arm's length basis between the Company and the Placing Agent with reference to the prevailing commission rate charged by other placing agents. The Directors are of the view that the aforesaid placing commission is fair and reasonable.

Placing Period

The placing period for the Placing shall last for one (1) month commencing on the date of Placing Agreement, or such other period as may be agreed between the Company and the Placing Agent in writing.

Conditions precedent of the Placing Agreement

Completion is conditional upon, among other things, the following:

- (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, all of the Conversion Shares;
- (b) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof; and
- (c) no representation, warranty or undertaking under the Placing Agreement having been breached in any material respect by the Company or rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Completion.

The Company and the Placing Agent shall use their respective best endeavours to procure the fulfilment of the conditions by 6 January 2019. In the event that the conditions precedent set out in the Placing Agreement are not fulfilled or waived by 6:00 p.m. on 6 January 2019, the Placing Agreement and the obligations of the Company and the Placing Agent thereunder shall cease and terminate and none of the parties thereto shall be liable to the other party except for any antecedent breaches under the Placing Agreement.

Completion

Subject to the fulfilment of the conditions precedent set out in the Placing Agreement, Completion shall take place on the Completion Date. Upon Completion, the Placing Agent shall arrange to pay the aggregate principal of the Convertible Bonds which are placed to the Company.

Principal terms of the Convertible Bonds

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

- Issuer : The Company
- Principal amount : Not more than HK\$40,000,000
- Interest : The Convertible Bonds will bear interest from and including the date of issue of the Convertible Bonds at the rate of 10% per annum, payable by the Company annually in arrears.
- Maturity Date : The second anniversary of the date of issue of the Convertible Bonds.
- Status : The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.
- Redemption : The Convertible Bonds may be early redeemed at 100% of the outstanding principal amount of the Convertible Bonds (in whole or in part) together with accrued interest at any time and from time to time at the option of the Company prior to the Maturity Date.
- Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at price equal to 100% of the principal amounts of the Convertible Bonds to be redeemed, together with accrued interest.
- Conversion Price : The initial Conversion Price is HK\$1.0 per Conversion Share, which is subject to adjustment provisions as summarised in the sub-paragraph headed "Adjustments to the Conversion Price" below.

The initial Conversion Price represents:

- (i) a premium of approximately 69.49% to the closing price of HK\$0.59 per Share as quoted on the Stock Exchange on 5 December 2018 being the last trading day before the date of the Placing Agreement; and

- (ii) a premium of approximately 63.93% to the average closing price of HK\$0.61 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent after considering the prevailing market price of the Shares and the business prospects of the Group. The Directors consider that the Conversion Price is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Adjustments to the Conversion Price : The initial Conversion Price shall be, from time to time, subject to adjustment upon occurrence of, among others, consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distribution to the Shareholders (including distributions in cash or specie), rights issues of shares or options over Shares (at less than 80% of the current market price) and other dilutive event in such manner in accordance with the terms and conditions of the Convertible Bonds.

Conversion Shares : Based on the initial Conversion Price of HK\$1.0, a maximum number of approximately 40,000,000 Conversion Shares may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent:

- (i) approximately 5% of the existing issued share capital of the Company as at the date of the announcement; and
- (ii) approximately 4.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds in full (assuming that there is no other change in the existing shareholding of the Company).

The Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds will be issued under the General Mandate.

Ranking of the Conversion Shares : The Conversion Shares will rank pari passu in all respects with the Shares in issue.

Conversion period : Holder(s) of the Convertible Bonds shall be entitled to exercise the conversion right at any time from the date of issue of the Convertible Bonds up to and including the fifth day prior to the Maturity Date.

Conversion rights : Holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at the Conversion Price at any time during the Conversion Period.

The conversion rights shall only be exercisable so long as (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained; and (ii) it does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder(s) of the Convertible Bonds and any parties acting in concert with it (as defined under the Takeovers Code).

Transferability : The Convertible Bonds are freely transferable subject to the terms and conditions of the Convertible Bonds provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company and its associates without the prior written consent of the Company and the Stock Exchange.

Voting rights : Holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any general meeting of the Company.

Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, the Placing Agent shall be entitled by notice to the Company given prior to 8:00 a.m. on the Completion Date to terminate the Placing Agreement if, in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any of the following circumstances:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Placing; or

- (c) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive Business Days, excluding any suspension in connection with the clearance of this announcement, the circular or other documents in connection with the Placing (if applicable).

In the event that the Placing Agent terminates the Placing Agreement pursuant to the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

Application for Listing

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on any stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

General Mandate

The Placing is not subject to the Shareholders' approval as the Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate, which was granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 8 August 2018. Under the General Mandate, the Company is authorised to allot, issue and deal with up to 160,000,000 Shares, being 20% of the total number of Shares in issue as at the date of the passing of such resolution. As at the date of this announcement, the General Mandate has not been utilised. The Conversion Shares, being a maximum of 40,000,000 Shares, to be allotted and issued upon the exercise of the conversion right attaching to the Convertible Bonds will be issued under the General Mandate. Accordingly, the allotment and issue of the Conversion Shares are not subject to the Shareholders' approval.

REASONS FOR AND BENEFITS OF THE PLACING

The Group is principally engaged in the business of the sale and transportation of diesel oil and related products in Hong Kong.

As described in the Interim Report, the Group has been proactively seeking potential business opportunities that will broaden our sources of income and enhance value to the Shareholders.

Assuming the Convertible Bonds in the principal amount of HK\$40,000,000 are issued by the Company, the net proceeds will be approximately HK\$39.6 million (after deduction of commission and other expenses of the Placing). Assuming the Convertible Bonds are fully placed and the conversion rights of all the Convertible Bonds are exercised, the net price for the Placing is approximately HK\$0.99 per Conversion Share. The Directors intend to apply the net proceeds as follows:

- (a) approximately 75% of the net proceeds from the Placing will be used for general working capital of the Group. As described in the Interim Report, for the six months ended 30 September 2018, the Group's cost of sales was approximately HK\$100 million, representing an increase of approximately 61.5% from approximately HK\$61.9 million for the six months ended 30 September 2017, which was in line with the increase in revenue. In light of such increase in the purchase costs of the diesel oil and marine diesel oil, the Group requires more general working capital to support its business operations to meet the cash flow mismatch resulting from the significantly shorter credit term offered by the suppliers of the Group, which is approximately three days, than the credit period the Group generally grants to its customers, which is approximately 60 days to 120 days; and
- (b) approximately 25% of the net proceeds from the Placing will be used for further business expansion of the Group and for financing any future investment opportunities as the Company may identify. The Company is in the course of identifying suitable investment opportunities and may make further announcements as and when appropriate and comply with other applicable requirements under the GEM Listing Rules.

The Directors have considered alternative fund raising methods such as bank borrowings and rights issue/open offer. However, the Directors are of the view that the Placing is a more suitable means of fund raising to strengthen the financial position and broaden the Shareholder and capital base of the Group. Given that the Placing will enhance the working capital position of the Group and facilitate the Group's business development plan, the Directors are of the view that the Placing is in the interest of the Company and its shareholders as a whole and the terms of the Placing Agreement are fair and reasonable.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the conversion of the Convertible Bonds in full at the initial Conversion Price of HK\$1.0, assuming there is no other changes in the issued share capital of the Company from the date of this announcement and up to the date of the full conversion of the Convertible Bonds:

Shareholders	As at the date of this announcement		Immediately following the conversion of the Convertible Bonds in full	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Grand Tycoon Limited ^(Note 1)	448,000,000	56.00	448,000,000	53.33
Li Hok Yin ^(Note 2)	136,676,000	17.08	136,676,000	16.27
The Places	—	—	40,000,000	4.76
Other public Shareholders	<u>215,324,000</u>	<u>26.92</u>	<u>215,324,000</u>	<u>25.63</u>
Total	<u>800,000,000</u>	<u>100.0</u>	<u>840,000,000</u>	<u>100.0</u>

Notes:

1. 448,000,000 Shares are held by Grand Tycoon Limited, the shareholding of which is wholly-owned by Mr. Fong Chun Man, an executive Director and chairman of the Company. Therefore, Mr. Fong Chun Man is deemed to be interested in all the shares held by Grand Tycoon Limited for the purpose of Part XV of Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
2. Mr. Li Hok Yin is an executive Director of the Company.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not carried out any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

Shareholders and potential investors should note that the Placing is subject to the fulfillment of the conditions precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	F8 Enterprises (Holdings) Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8347)
“Completion”	the completion of the Placing in accordance with the terms and condition set out in the Placing Agreement
“Completion Date”	the next Business Day upon the fulfilment of the conditions set out in the Placing Agreement are satisfied (or such later date as may be agreed between the Company and the Placing Agent in writing)
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$1.0 per Share, subject to adjustments from time to time under the terms and conditions of the Placing Agreement
“Conversion Shares”	the Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in the principal amount of not more than HK\$40,000,000 to be issued by the Company under the Placing Agreement
“Director(s)”	the director(s) of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“General Mandate”	the general mandate granted to the Board pursuant to the ordinary resolution passed by the Shareholders at the AGM to allot, issue and deal with Shares up to 20% of the number of Shares in issue (being 800,000,000 Shares) as at the date of passing such resolution, which is equivalent to 160,000,000 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owners, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Interim Report”	the interim report of the Company for the six months ended 30 September 2018
“Maturity Date”	the maturity date of the Convertible Bonds, being second anniversary of the issue date of the Convertible Bonds
“Placees”	any independent individual, corporate or other institutional investor(s) procured by the Placing Agent to subscribe for any Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Bonds and subject to the terms and condition set out in the Placing Agreement
“Placing Agent”	Eternal Pearl Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 6 December 2018 in relation to the Placing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“%”	per cent.

By Order of the Board
F8 Enterprises (Holdings) Group Limited
Fong Chun Man
Director

Hong Kong, 6 December 2018

As at the date of this announcement, the chairman and the executive Director of the Company is Mr. FONG Chun Man, the executive Directors of the Company are Ms. LO Pui Yee, Mr. CHAN Chi Fai and Mr. Li Hok Yin; and the independent non-executive Directors of the Company are Mr. CHUI Chi Yun, Robert, Mr. KWONG Yuk Lap and Mr. WANG Anyuan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will be published on the GEM website at www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at www.f8.com.hk.