

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 F8 Enterprises (Holdings) Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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F8 ENTERPRISES (HOLDINGS) GROUP LIMITED

F8 企業 (控股) 集團 有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8347)

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF 90% EQUITY INTEREST IN THE TARGET COMPANY

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 4 to 12 of this circular.

Pursuant to Rule 19.44 of the GEM Listing Rules, in lieu of a resolution to be passed at a general meeting of the Company, written shareholder's approval for the SPA and the transactions contemplated thereunder has been obtained from Grand Tycoon Limited, a controlling shareholder holding 55.0% of the issued share capital of the Company as at the Latest Practicable Date. No general meeting will be convened for approving the SPA and the transactions contemplated thereunder and this circular is for information only.

This circular will remain on the website of GEM at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This circular will also be published on the Company's website at <https://www.f8.com.hk>.

20 September 2019

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CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

DEFINITIONS

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

“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business in Hong Kong;
“Company”	F8 Enterprises (Holdings) Group Limited (F8企業(控股)集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM;
“Completion”	completion of the Disposal in accordance with the terms and conditions of the SPA;
“Completion Date”	the date of Completion, being 9 April 2019;
“Conditions Precedent”	the conditions precedent to the Disposal, details of which are set out in the section headed “The SPA — Conditions precedent” in the “Letter from the Board” of this circular;
“Connected Person(s)”	has the meaning ascribed to it in the GEM Listing Rules;
“Consideration”	the consideration for the Disposal of HK\$8,148,232 payable by the Purchaser to the Vendor in accordance with the terms of the SPA;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares pursuant to the terms and conditions of the SPA;
“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Grand Tycoon”	Grand Tycoon Limited, a company incorporated in the BVI with limited liability, and controlled by Mr. Fong. As at the Latest Practicable Date, Grand Tycoon is a controlling Shareholder which is holding 440,000,000 Shares, representing 55.0% of issued share capital of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong SAR;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	the independent third party who is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with the Company and the Connected Person(s) of the Company;
“Latest Practicable Date”	17 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Mr. Fong”	Mr. Fong Chun Man, an executive Director and a controlling shareholder indirectly holding 440,000,000 Shares, representing 55.0% of the issued share capital of the Company as at the Latest Practicable Date;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Previous Acquisition”	has the meaning ascribed to it in the paragraph headed “The SPA — Consideration” in the “Letter from the Board” of this circular;
“Purchaser”	China ECO Tourism Investment Limited (中國生態投資旅遊有限公司), a company incorporated in Hong Kong with limited liability;
“Sale Shares”	9,000 issued and fully paid up or credited as fully paid up ordinary shares in the capital of the Target Company, representing 90% of the issued share capital of the Target Company;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shenzhen Forest”	森林食品(深圳)有限公司 (Forest Food (Shenzhen) Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Target Company;
“Shenzhen Hengtu”	深圳恒途食品有限公司 (Shenzhen Hengtu Food Limited*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Target Company;

DEFINITIONS

“SPA”	the sale and purchase agreement dated 28 March 2019 entered into between the Vendor and the Purchaser in relation to the Disposal (as supplemented by a letter dated 1 August 2019 issued by the Company to the Purchaser);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	China Forest Food Limited (中國森林食品有限公司), a company incorporated in Hong Kong with limited liability;
“Target Group”	the Target Company, Shenzhen Hengtu and Shenzhen Forest;
“Vendor”	the Company;
“Virtue Ever”	Virtue Ever Limited (永德有限公司), a company incorporated in the Republic of Seychelles with limited liability; and
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD

F8 ENTERPRISES (HOLDINGS) GROUP LIMITED

F8 企業 (控 股) 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8347)

Executive Directors:

Mr. Fong Chun Man (*Chairman*)
Ms. Lo Pui Yee (*Vice Chairlady*)
Mr. Chan Chi Fai (*Chief Executive Officer*)
Mr. Li Hok Yin

Registered office:

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

Independent non-executive Directors:

Mr. Chui Chi Yun, Robert
Mr. Kwong Yuk Lap
Mr. Wang Anyuan

*Head office and principal place of
business in Hong Kong:*

Unit 3304, 33/F
Tower 1, Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

20 September 2019

To the Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL OF 90% EQUITY INTEREST IN
THE TARGET COMPANY**

INTRODUCTION

Reference is made to the announcements (the “**Announcements**”) of the Company dated 28 March 2019, 6 June 2019, 27 June 2019, 18 July 2019, 1 August 2019 and 15 August 2019 in relation to the Disposal.

As disclosed in the Announcements, the Vendor and the Purchaser entered into the SPA on 28 March 2019 (after trading hours). Pursuant to the SPA, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares at the Consideration of HK\$8,148,232. As the relevant percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal exceeded 25% but was less than 75%, the Disposal constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules and the Completion was therefore subject to Shareholders’ approval. By a letter dated 1 August 2019 issued by the Vendor to the Purchaser, (i) the Vendor notified the Purchaser that the Shareholders’ approval under Rule 19.44 of the GEM Listing Rules had been obtained on 1 August 2019; and (ii) the Completion, which had taken place on 9 April 2019, was ratified, confirmed and approved.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the SPA and the transactions contemplated thereunder, and other information as required to be disclosed under the GEM Listing Rules.

THE SPA

Set out below are the principal terms of the SPA:

Date: 28 March 2019 (after trading hours)

Parties: (1) Vendor: The Company

(2) Purchaser: China ECO Tourism Investment Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties. Both the Purchaser and Virtue Ever, the vendor of the Previous Acquisition, are ultimately controlled and wholly owned by Mr. Sha Tao. The principal business activity of the Purchaser is investment holding.

Assets disposed of

The Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, representing 90% of the issued share capital of the Target Company as at the Latest Practicable Date.

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares is HK\$8,148,232, which was settled upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the historical transaction cost of the Previous Acquisition, the asset position and historical performance of the Target Group, and the reasons and benefit for the Disposal as set out in the section headed "Reasons and Benefit for the Disposal" below.

The Group completed the acquisition of the entire issued share capital of the Target Group from Virtue Ever in July 2018 (the "**Previous Acquisition**") and the acquisition cost of the Previous Acquisition mainly represents the consideration paid by the Group which amounted to approximately HK\$8.3 million.

In particular, it was considered by the Company that (i) the asset position of the Target Group had remained stable since the Previous Acquisition; and (ii) the Target Group's business had underperformed the Group's expectation and incurred losses since completion of the Previous Acquisition.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) considered that the terms and conditions of the Disposal were fair and reasonable and were in the interests of the Company and the Shareholders.

Conditions precedent

Completion was conditional upon fulfilment of the following Conditions Precedent:

- (a) all requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the SPA having been obtained by the respective parties;
- (b) none of the warranties and other provisions of the SPA having been breached in any material respect, or becoming misleading or untrue in any material respect; and
- (c) no material adverse change having occurred to the business, assets, financial position and performance of the Target Company.

The Company wishes to clarify that based on the due diligence carried out by the Company, to the best of the Directors' knowledge and information, no consents, authorisations and/or approvals were required for the Disposal on the part of the Company, other than the Shareholders' approval required under Chapter 19 of the GEM Listing Rules.

Completion

Completion had taken place after all of the Conditions Precedent were fulfilled. It was agreed between the Vendor and the Purchaser that the date of Completion is 9 April 2019. Completion has been ratified, confirmed and approved by Grand Tycoon by way of written approval on 1 August 2019 pursuant to Rule 19.44 of the GEM Listing Rules (details of which are disclosed in the paragraph headed "GEM Listing Rules Implication" below).

After Completion, the Company has held 10% of the equity interest in the Target Company. Each member of the Target Group has ceased to be a subsidiary of the Company and the financial results of the Target Group are no longer consolidated into the Company's consolidated financial statements after Completion.

Under the Previous Acquisition, the ultimate beneficial owner of Virtue Ever (the "**Indemnifying Party**") executed a deed of guarantee (the "**Deed of Guarantee**") in favour of the Company whereby:

- (a) the Indemnifying Party guaranteed to the Company, among other things, that (i) the audited net profit after tax of the Target Company for the period from the completion date of the Company's acquisition of 10% equity interest in the Target Company (the "**10% Acquisition Date**") to 30 June 2019 shall not be less than RMB5 million; and (ii) the audited net profit after tax of the Target Company for the period from the 10% Acquisition Date to 30 June 2020 shall be not less than RMB10 million (collectively referred to as the "**Profit Guarantee**"); and

LETTER FROM THE BOARD

- (b) if the Target Company fails to meet the Profit Guarantee, the Company shall have an option to either (i) purchase up to 51% of the equity interest in the Target Company; or (ii) request the Indemnifying Party or Virtue Ever to indemnify the Company the shortfall (i.e. the difference between the guaranteed profit and the profit achieved by the Target Company).

Following Completion, Virtue Ever was released and discharged from its obligation under the Profit Guarantee and other related liability in connection with the Previous Acquisition.

INFORMATION OF THE GROUP, THE VENDOR AND THE PURCHASER

The Group

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

The Vendor

The Vendor (i.e. the Company) is a company incorporated in the Cayman Islands as an exempted company with limited liability. The Vendor is an investment holding company.

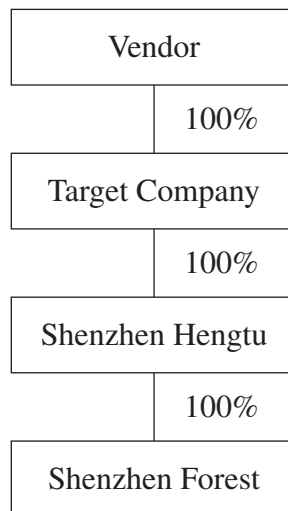
The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and an Independent Third Party. The Purchaser is an investment holding company.

INFORMATION OF THE TARGET GROUP

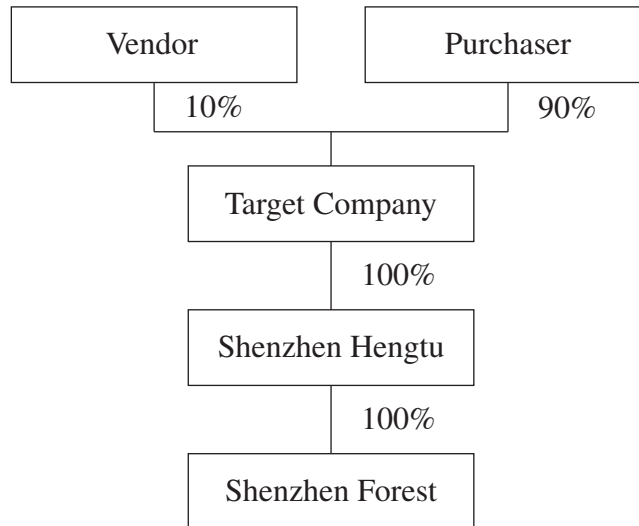
The following charts show the group structure of the Target Group (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

Immediately prior to Completion



LETTER FROM THE BOARD

Immediately after Completion and as at the Latest Practicable Date



The Target Company is an investment holding company incorporated in Hong Kong with limited liability. The Target Company owns the entire equity interests in Shenzhen Hengtu, a company established in the PRC with limited liability and principally engaged in health food distribution business. Shenzhen Hengtu owns the entire equity interests in Shenzhen Forest, a company established in the PRC with limited liability and principally engaged in health food distribution business.

Before Completion, the Target Company had an issued capital of HK\$10,000, which was wholly owned by the Vendor.

FINANCIAL INFORMATION OF THE TARGET GROUP

The financial information of the Target Group for the two financial years ended 31 December 2017 and 2018 based on its unaudited consolidated management accounts are as follows:

	Year ended 31 December 2017 (unaudited) HK\$'000 (approximately)	Year ended 31 December 2018 (unaudited) HK\$'000 (approximately)
Results		
Turnover	—	42,361
Net loss before taxation	(670)	(2,322)
Net loss after taxation	(670)	(2,195)

LETTER FROM THE BOARD

The unaudited net assets value of the Target Group as at 31 December 2018 was approximately HK\$11,428,000, which was determined after taking into account the net liabilities of the Target Group of approximately HK\$2,184,000, contingency consideration payables of approximately HK\$3,598,000 and investment costs on the Target Group of approximately HK\$10,014,000.

FINANCIAL EFFECT OF THE DISPOSAL

Prior to Completion, the Target Company was a wholly-owned subsidiary of the Company. Following Completion, the Target Company has ceased to be a subsidiary of the Company and the Company has held 10% of the equity interest in the Target Company. The financial results of the Target Group were no longer consolidated into the consolidated financial statements of the Group following Completion.

Assets and liabilities

Having taken into account the Consideration and the unaudited net asset value of the Target Group as at 31 December 2018, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$33.62 million. The total liabilities of the Group will decrease by approximately HK\$31.47 million. It is estimated that the net assets of the Group will have a decrease of approximately HK\$2.15 million, being the difference between the decrease in total assets and total liabilities of the Group.

Gain on the Disposal

Upon Completion, the Company is expected to record an unaudited gain on the Disposal of approximately HK\$1.11 million having taken into account fair value change on contingent consideration payables. Such gain is estimated with reference to the Consideration of approximately HK\$8.15 million, the unaudited net asset value of the Target Group attributable to the Sale Shares of approximately HK\$7.05 million as at 31 December 2018, the related exchange reserve of approximately HK\$0.01 million and contingency consideration payables of approximately HK\$3.6 million. The said unaudited net asset value of the Target Group attributable to the Sale Shares of approximately HK\$7.05 million as at 31 December 2018 was determined after taking into account a consolidated adjustment of the Target Group as at 31 December 2018. As such, the unaudited net asset value of the Target Group amounted to approximately HK\$7.83 million as at 31 December 2018. With the Sale Shares representing 90% of the issued share capital of the Target Company, the unaudited net asset value of the Target Group attributable to the Sale Shares amounts to approximately HK\$7.05 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In July 2018, the Company completed the Previous Acquisition with a view to enhancing the overall growth of the Group and diversifying the risk and business of the Group and providing a stable return to the Group.

LETTER FROM THE BOARD

As disclosed in the interim report of the Company for the six months ended 30 September 2018, the Group's purchase costs for the purchase of diesel oil and marine diesel oil have been increasing. Similarly, as demonstrated in the third quarterly report of the Company for the nine months ended 31 December 2018 and the annual report of the Company for the year ended 31 March 2019, the Group's operation costs continued to grow.

Further, in March 2019, the Group was close to finalising negotiations with an existing customer for a six-month contract for the transportation and supply of fuel oil for a construction project (the "New Contract") in which the Group expected to generate considerable amount of revenue. The New Contract was subsequently awarded to the Group in August 2019. In line with the industry common practice, the Group generally provides longer credit term to its customers than the credit term granted by its suppliers. In light of this, there are timing differences between receiving payments from customers and making payment to suppliers. To meet the demand of the customer under the New Contract, the Group is expected to incur further purchase costs prior to receiving payment from the customers. As such, the Group anticipated the need for additional working capital to maintain its daily operations.

While the Company considered that the PRC health food industry to be generally positive, the Target Group's business had underperformed the Group's expectation and incurred losses since completion of the Previous Acquisition. Accordingly, the Target Group's business could not generate sufficient working capital in support of the Group's increasing operation costs.

In light of the above, the Group had evaluated its investment portfolio and considered to realise some of the Group's investments to provide additional working capital. Hence, the Board considered that the Disposal was in the interests of the Group as the net proceeds from the Disposal would be used for general working capital of the Group to support its business operations.

Based on the above, the Directors considered that the terms of the Disposal were fair and reasonable, and the Disposal was in the interests of the Company and the Shareholders as a whole.

As confirmed by the Directors, the Company has no immediate intention to dispose of its remaining 10% equity interest in the Target Group. As the Company considers the PRC health food industry to be generally positive, the Company would like to retain the 10% as passive investment and adopt a wait-and-see approach in deciding whether to dispose of its remaining equity interest in the Target Group.

GEM LISTING RULES IMPLICATION

Obtaining of written Shareholders' approval

As one or more of the relevant percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction for the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Disposal. Mr. Fong, an executive Director and a controlling Shareholder, through his controlled corporation, namely Grand Tycoon, is holding 440,000,000 Shares, representing 55.0% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 19.44 of the GEM Listing Rules, Grand Tycoon has given an irrevocable and unconditional written approval on 1 August 2019 to approve, ratify and confirm the SPA and the transactions contemplated thereunder. Accordingly, the written approval from Grand Tycoon will be accepted in lieu of holding a general meeting of the Company for approval of the SPA and the transactions contemplated thereunder.

Non-compliances under the GEM Listing Rules

The Vendor (i.e. the Company) and the Purchaser entered into the SPA on 28 March 2019 (after trading hours). At the time of signing the SPA, the Company genuinely believed that the Disposal constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and was therefore of the view that the Disposal would not be subject to Shareholders' approval and circular requirements under Chapter 19 of the GEM Listing Rules. However, having received guidance and clarification from the Stock Exchange, the Company accepted that the Disposal constituted a major transaction for the Company under Chapter 19 of the GEM Listing Rules and regrettably admitted that it had breached Rules 19.40 and 19.41 of the GEM Listing Rules (to the extent applicable), failing to comply with the applicable requirements in relation to Shareholders' approval and despatch of circular in accordance with the timeline stipulated in Rule 19.41(a) of the GEM Listing Rules.

The Company confirmed that it first became aware of:

- (a) the breach of Rule 19.40 of the GEM Listing Rules when the Stock Exchange provided guidance and clarification on the calculations of the applicable percentage ratios (under Chapter 19 of the GEM Listing Rules) following the publication of the Company's announcement dated 28 March 2019; and
- (b) the breach of Rule 19.41 of the GEM Listing Rules when the Stock Exchange provided guidance and clarification on strict compliance relating to the despatch of circular under Rule 19.41 of the GEM Listing Rules, despite the Company publishing announcements to postpone the despatch date of circular on 27 June 2019 and 18 July 2019 pursuant to Rules 19.36A and 19.60(7) of the GEM Listing Rules.

The Directors would like to stress that the Company has every intention to comply with the GEM Listing Rules and consider that the aforesaid breaches of the GEM Listing Rules were due to the Company's previous inadvertent misinterpretation of the applicable GEM Listing Rules relating to percentage ratio calculations and despatch of circular.

LETTER FROM THE BOARD

In order to ensure compliance with the relevant GEM Listing Rules and prevent the recurrence of similar non-compliance incident involving percentage ratio calculations and/or despatch of circular, the Company has taken or will take the following remedial actions:

- (a) the Company obtained an irrevocable and unconditional written approval pursuant to Rule 19.44 of the GEM Listing Rules from Grand Tycoon on 1 August 2019 to approve, ratify and confirm the SPA and the transactions contemplated thereunder;
- (b) the Company applied for, and the Stock Exchange granted, a waiver from strict compliance with Rule 19.41(a) of the GEM Listing Rules on the basis that the Company would despatch this circular on or before 20 September 2019;
- (c) the Company has despatched this circular containing details of the Disposal to the Shareholders; and
- (d) the Company will issue a memorandum to the Board and the management of the Company which are responsible for managing the Group's investments, reiterating that the management of the Company will only effect any acquisitions and disposals after having evaluated the implications of the GEM Listing Rules and ensuring the Company will be able to comply with the applicable requirements under the GEM Listing Rules, and in case of any doubt, the Company will consult its legal advisers, financial advisers and/or the Stock Exchange.

RECOMMENDATION

Although no general meeting will be convened for approving the SPA, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the SPA are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened by the Company, the Directors would have recommended the Shareholders to vote in favour of the SPA and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

Yours faithfully,
For and on behalf of the Board
F8 Enterprises (Holdings) Group Limited
Fong Chun Man
Chairman and Executive Director

I. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three financial years ended 31 March 2017, 2018 and 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 (<http://www.f8.com.hk>):

- annual report of the Company for the financial year ended 31 March 2017 (pages 36 to 91)
<https://www.hkexnews.hk/listedco/listconews/gem/2017/0630/gln20170630093.pdf>
- annual report of the Company for the financial year ended 31 March 2018 (pages 70 to 147)
<https://www.hkexnews.hk/listedco/listconews/gem/2018/0627/gln20180627027.pdf>
- annual report of the Company for the financial year ended 31 March 2019 (pages 80 to 191)
<https://www.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628215.pdf>

II. INDEBTEDNESS

Borrowings

As at close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$3,000,000. The bank borrowings with variable interest rates carry interest rate at 4.88% per annum.

As at close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had bank overdraft of approximately HK\$540,000. The bank overdraft with variable interest rates carry interest rate at 5.125% per annum.

As at close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had interest bearing bill payables of approximately HK\$2,480,000. The bill payables with variable interest rates carry interest rate at 3.79% per annum.

Securities

The aforesaid secured bank borrowings, bank overdraft and bill payables were secured by the corporate guarantee and fixed deposits of the Group.

Bonds

As at close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had issued the bonds with an aggregate carrying amounts of approximately HK\$4,907,000. The bonds bear interest at 10% per annum and are repayable on the second anniversary of the issue of the relevant bonds.

Contingent liabilities

As at the close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no material contingent liabilities outstanding.

Disclaimer

Save as aforesaid above, at the close of business on 31 July 2019, the Directors confirmed that the Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, or any guarantees or any contingent liabilities. The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 July 2019.

III. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the Completion Date.

IV. 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 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the Group will continue to carry on the business of the sale and transportation of diesel oil and related products in Hong Kong. The Board believes that market trend of sales of diesel oil and marine diesel oil market in Hong Kong remains optimistic mainly due to the stable and high level investment in public infrastructure including the railway network, development of marine construction projects including the Hong Kong International Airport's third runway project together with the recovery of logistics industry in Hong Kong. The Directors will continue to review the Group's existing business from time to time. Nevertheless, currently the Company has no intention nor has the Company entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and any negotiation (whether concluded or not) with an intention to dispose of, downsize or terminate the existing business of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

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 and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) 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 provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying shares of the Company

Name of Directors	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
Mr. Fong Chun Man	Interest in a controlled corporation (<i>Note 1</i>)	440,000,000 (Long position)	55%
Ms. Lo Pui Yee	Interest of spouse (<i>Note 2</i>)	440,000,000 (Long position)	55%
Mr. Li Hok Yin	Beneficial owner	79,632,000 (Long position)	9.95%

Notes:

- The Shares are held by Grand Tycoon Limited, which is wholly owned by Mr. Fong Chun Man. 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 SFO.
- Ms. Lo Pui Yee, an executive Director, is the spouse of Mr. Fong Chun Man and is therefore deemed to be interested in all the Shares which Mr. Fong Chun Man is interested for the purpose of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares and underlying shares of the Company

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Percentage of shareholding
Grand Tycoon Limited	Beneficial owner (Note 1)	440,000,000 (Long position)	55%
Ms. Cheung Yee Lok	Interest of spouse (Note 2)	79,632,000 (Long position)	9.95%

Notes:

1. The Shares are held by Grand Tycoon Limited, which is wholly owned by Mr. Fong Chun Man. 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 SFO.
2. Ms. Cheung Yee Lok is the spouse of Mr. Li Hok Yin and is therefore deemed to be interested in all the Shares which Mr. Li Hok Yin is interested for the purpose of Part XV of the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2019 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

- (1) the SPA (as supplemented by a letter dated 1 August 2019 issued by the Company to the Purchaser);
- (2) the joint venture agreement dated 27 June 2019 entered into between Eastern Champion Development Limited (an indirect wholly owned subsidiary of the Company), Xinyu Iron and Steel Group Co., Ltd. and Xinyu Investment Holding Group Co., Ltd. in relation to the formation of a joint venture company to be

established in the PRC with a registered capital of RMB30,000,000, which will be owned as to 55% by Eastern Champion Development Limited, 35% by Xinyu Iron and Steel Group Co., Ltd. and 10% by Xinyu Investment Holding Group Co., Ltd.;

- (3) the placing agreement dated 26 March 2019 (as supplemented by a supplemental agreement dated 25 June 2019) entered into between the Company (as issuer) and CVP Securities Limited (formerly known as Eternal Pearl Securities Limited) (as placing agent), pursuant to which the Company conditionally agreed to issue and CVP Securities Limited conditionally agreed to procure, on a best effort basis, places to subscribe in cash bonds to be issued by the Company in an aggregate principal amount of up to HK\$40,000,000;
- (4) the placing agreement dated 6 December 2018 (as supplemented by a supplemental agreement dated 20 December 2018) entered into between the Company (as issuer) and CVP Securities Limited (formerly known as Eternal Pearl Securities Limited) (as placing agent), pursuant to which the Company conditionally agreed to issue and CVP Securities Limited conditionally agreed to procure, on a best effort basis, places to subscribe the convertible bonds to be issued by the Company in the aggregate principal amount of not more than HK\$40,000,000 at the initial conversion price of HK\$1.0 per Share;
- (5) the sale and purchase agreement dated 11 July 2018 entered into between Virtue Ever (as vendor) and the Company (as purchaser) for the transfer of 9,000 ordinary shares of the Target Company from Virtue Ever to the Company in consideration of RMB10,500,000; and
- (6) the sale and purchase agreement dated 17 May 2018 entered into between Virtue Ever (as vendor) and the Company (as purchaser) for the transfer of 1,000 ordinary shares of the Target Company from Virtue Ever to the Company in consideration of RMB1,500,000.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. from Monday to Friday) at the principal place of business of the Company in Hong Kong at Unit 3304, 33/F, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for each of the three years ended 31 March 2017, 2018 and 2019;
- (c) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix to this circular; and
- (d) this circular.

9. CORPORATE INFORMATION OF THE GROUP

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	Unit 3304, 33/F, Tower 1 Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Kowloon, Hong Kong
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Branch share registrar and transfer office in Hong Kong	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F 148 Electric Road North Point, Hong Kong
Company secretary	Ms. Leung Yin Fai <i>(member of the Certified Practising Accountant in Australia, member of the Association of Chartered Certified Accountants fellow member of the Hong Kong Institute of Certified Public Accountants)</i>
Compliance officer	Guotai Junan Capital Limited

10. GENERAL

- (a) The Company has established the Audit Committee on 23 March 2017 in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and with written terms of reference amended and restated with effect from 1 January 2019 in compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan and Mr. Chui Chi Yun, Robert, is the Chairman of the Audit Committee.

Mr. Chui Chi Yun, Robert is currently a practicing certified public accountant in Hong Kong and is a fellow member of the Hong Kong Society of Accountants since June 1991 and the Chartered Association of Certified Accountants since May 1989. Mr. Chui has over 35 years of experience in the accounting industry and is the founder of a Hong Kong accounting firm, Robert Chui & Co. since August 1991. Mr. Chui has been appointed as an independent non-executive director of Tse Sui Luen Jewellery (International) Limited, (Hong Kong stock code: 417), National Arts Entertainment and Culture Group Limited, (Hong Kong stock code: 8228), Wing Lee Property Investments Limited (Hong Kong stock code: 864) and Asia Cassava Resources Holdings Limited (Hong Kong stock code: 841) since April 1999, May 2009, February 2013 and August 2018, respectively. Since December 2014, Mr. Chui has been appointed as a non-executive director of GTI Holdings Limited, formerly known as Addchance Holdings Limited (Hong Kong stock code: 3344) and retired in May 2017. From May 2015 to March 2016, Mr. Chui was appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (Hong Kong stock code: 8148). From June 2015 to July 2018, Mr. Chui was appointed as an independent non-executive director of PPS International (Holdings) limited (Hong Kong stock code: 8201).

Mr. Kwong Yuk Lap was appointed as a non-executive director of Wealth Glory Holdings Limited (Hong Kong stock code: 8269), whose principal activities involve manufacture and sale of fresh and dried noodles, investment holding in coal trading business, trading of natural resources and commodities and money lender from December 2013 to October 2015. From November 2015 to August 2016, Mr. Kwong was re-designated as an executive director of Wealth Glory Holdings Limited.

Mr. Wang Anyuan has been appointed as an executive director, compliance officer and authorised representative of Code Agriculture (Holdings) Limited (Hong Kong stock code: 8153) from September 2015 to January 2018. Mr. Wang is licensed with the SFC as a representative of Orient Securities (Hong Kong) Limited to carry out type 1 (dealing in securities) regulated activity and as a representative of Orient Futures (Hong Kong) Limited to carry out type 2 (dealing in futures contract) regulated activity.

- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.