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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of F8 Enterprises (Holdings) Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the 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.*

HIGHLIGHTS

- The Group has recorded a revenue of approximately HK\$439.3 million and HK\$229.7 million for the year ended 31 March 2020 and 2019 respectively, representing an increase of approximately HK\$209.6 million or 91.2% as compared to the year ended 31 March 2019.
- The Group's net profit for the year was approximately HK\$4.5 million and HK\$0.8 million for the year ended 31 March 2020 and 2019 respectively, representing an increase of approximately HK\$3.7 million as compared with the year ended 31 March 2019, and the Group's net profit margin increased from approximately 0.4% to approximately 1.0% during the same period. The increase in the net profit and net profit margin for the year ended 31 March 2020 was mainly due to increase sale and transportation of diesel oil business and the fair value change on contingent consideration payable of approximately HK\$3.6 million for the year ended 31 March 2020.
- The Directors do not recommend the payment of any dividend for the year ended 31 March 2020.

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 together with the comparative audited figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	4	439,338	229,718
Cost of sales		<u>(415,521)</u>	<u>(207,995)</u>
Gross profit		23,817	21,723
Other gains or losses	6	291	802
Fair value change on contingent consideration payables		3,598	–
Administrative expenses		(16,042)	(11,342)
Other operating expenses		(3,135)	(2,984)
Allowance for ECL on trade and other receivables, net		<u>(1,238)</u>	<u>(1,249)</u>
Profit from operations		7,291	6,950
Finance costs	7	<u>(1,363)</u>	<u>(137)</u>
Profit before taxation	8	5,928	6,813
Income tax expenses	9	<u>(1,422)</u>	<u>(1,477)</u>
Profit for the year from continuing operations		4,506	5,336
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	10	<u>–</u>	<u>(4,532)</u>
Profit for the year		<u>4,506</u>	<u>804</u>

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Other comprehensive loss for the year			
Items that will not be reclassified to profit or loss:			
Fair value change on financial assets at fair value through other comprehensive income		<u>(905)</u>	<u>–</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,027)	(27)
Reclassification for foreign operation disposed of during the year		<u>27</u>	<u>–</u>
		<u>(1,000)</u>	<u>(27)</u>
Other comprehensive loss for the year, net of tax		<u>(1,905)</u>	<u>(27)</u>
Total comprehensive income for the year		<u>2,601</u>	<u>777</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		4,664	804
Non-controlling interests		<u>(158)</u>	<u>–</u>
		<u>4,506</u>	<u>804</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		3,221	777
Non-controlling interests		<u>(620)</u>	<u>–</u>
		<u>2,601</u>	<u>777</u>
Earnings per share			
From continuing and discontinued operations attributable to the owners of the Company			
Basic and diluted (<i>HK cents</i>)	12	<u>0.58</u>	<u>0.10</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)	12	<u>0.58</u>	<u>0.67</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		20,494	9,960
Right-of-use assets		245	–
Prepayment for right-of-use assets		8,235	–
Deposits for property, plant and equipment		160	–
Financial assets at fair value through profit or loss		4,678	–
Financial assets at fair value through other comprehensive income		–	–
Deferred tax assets		291	206
		34,103	10,166
Current assets			
Inventories		11,519	277
Trade receivables	<i>13</i>	76,596	71,386
Prepayments, deposits and other receivables		11,153	4,913
Financial assets at fair value through profit or loss		750	1,495
Pledged bank deposits		12,025	4,000
Cash and bank balances		6,661	6,034
		118,704	88,105
Assets of disposal group classified as held for sale	<i>10</i>	–	20,887
		118,704	108,992
Current liabilities			
Trade and bills payables	<i>14</i>	7,729	6,937
Accruals, other payables and deposits received		7,179	2,588
Contract liabilities		4,509	–
Bank borrowings		16,090	3,000
Lease liabilities		252	–
Tax payables		1,016	1,726
		36,775	14,251
Liabilities of disposal group classified as held for sale	<i>10</i>	–	11,834
		36,775	26,085
Net current assets		81,929	82,907
Total assets less current liabilities		116,032	93,073

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Contingent consideration payables		–	3,598
Bonds payable		8,800	–
Deferred tax liabilities		698	924
		<u>9,498</u>	<u>4,522</u>
Net assets		<u>106,534</u>	<u>88,551</u>
Capital and reserves			
Share capital	<i>15</i>	8,000	8,000
Reserves		83,772	80,551
		<u>91,772</u>	<u>88,551</u>
Equity attributable to owners of the Company		14,762	–
Non-controlling interests		<u>14,762</u>	<u>–</u>
Total equity		<u>106,534</u>	<u>88,551</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Capital contribution reserve	Fair value through other comprehensive income reserve	Exchange reserve	Amounts relating to disposal group held for sale	Retained earnings	Sub-total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note i)	(Note ii)	(Note iii)	(Note iv)	(Note v)	(Note vi)					
At 1 April 2018	8,000	49,221	-*	24,652	-	-	-	5,901	87,774	-	87,774
Profit for the year	-	-	-	-	-	-	-	804	804	-	804
Other comprehensive loss for the year	-	-	-	-	-	(27)	-	-	(27)	-	(27)
Profit and total comprehensive income for the year	-	-	-	-	-	(27)	-	804	777	-	777
Reclassification relating to disposal group as held for sale	-	-	-	-	-	27	(27)	-	-	-	-
At 31 March 2019 and 1 April 2019	8,000	49,221	-*	24,652	-	-	(27)	6,705	88,551	-	88,551
Profit/(loss) for the year	-	-	-	-	-	-	-	4,664	4,664	(158)	4,506
Other comprehensive loss for the year	-	-	-	-	(905)	(565)	27	-	(1,443)	(462)	(1,905)
Profit and total comprehensive income for the year	-	-	-	-	(905)	(565)	27	4,664	3,221	(620)	2,601
Recognition of non-controlling interest	-	-	-	-	-	-	-	-	-	15,382	15,382
At 31 March 2020	8,000	49,221	-*	24,652	(905)	(565)	-	11,369	91,772	14,762	106,534

Notes:

- (i) On 12 April 2017, 200,000,000 shares of HK\$0.01 each of the Company were allotted and issued at a price of HK\$0.32 per Share by way of Shares Offer.
- (ii) Share premium represents the excess of shares issue over the par value.
- (iii) Other reserve of the Group represents the difference between the total equity of the subsidiaries and the aggregated share capital of the subsidiaries pursuant to the Reorganisation where the transfer of the subsidiaries to the Company are satisfied by issue of new shares from the Company. The balance was approximately HK\$8.
- (iv) Capital contribution reserve represents the amount of the financial impact arisen from the transfer of business from Great Wall (International) Oil Company (Sole Proprietorship Business) to Great Wall (International) Oil Limited.
- (v) Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period.
- (vi) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

* The balance was approximately HK\$8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 March 2018. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business in Hong Kong is Units 3304, 33/F, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong. The Company's immediate and ultimate holding company is Grand Tycoon Limited, a company incorporated in the British Virgin Islands ("BVI"). Grand Tycoon Limited is controlled by Mr. Fong Chun Man ("Mr. Fong"), a Director of the Company.

The Company is an investment holding company and its subsidiaries principally engaged in the business of the sale and transportation of diesel oil and related products in Hong Kong and the manufacturing and sale of steel products in the People's Republic of China ("PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company and all values are rounded to the nearest thousands (HK\$'000), except when otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

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

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

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

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

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office in Hong Kong was determined on a portfolio basis;
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and
- (v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities is 3.67%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of lease with reasonably similar characteristic (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the group relied on the previous assessment for onerous contract provisions as at 31 March 2019 as an alternative to performing an impairment review.

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

The following table reconciles the operating lease commitments as disclosed in annual report as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	<i>HK\$'000</i>
Operating lease commitment at 31 March 2019	1,808
Less: total future interest expenses	(30)
Less: recognition exemption — short term leases	<u>(309)</u>
Lease liabilities as at 1 April 2019	<u><u>1,469</u></u>
Analysis as:	
Non-current	251
Current	<u>1,218</u>
	<u><u>1,469</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

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

	<i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<u><u>1,469</u></u>
By class:	
Office premise	<u><u>1,469</u></u>

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	1,469	1,469
Total non-current assets	10,166	1,469	11,635
Lease liabilities (current)	–	1,218	1,218
Total current liabilities	26,085	1,218	27,303
Net current assets	82,907	(1,218)	81,689
Total assets less current liabilities	93,073	251	93,324
Lease liabilities (non-current)	–	251	251
Total non-current liabilities	<u>4,522</u>	<u>251</u>	<u>4,773</u>

New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform ¹
HKFRS 3 (Amendments)	Definition of a Business ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
HKFRS 16 (Amendments)	COVID-19-Related Rent Concession ⁵

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and related interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure requirements by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

Basic of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, *Share-based Payment* leasing transactions that are within the scope of HKFRS 16 (since 1 April 2019) or HKAS 17 (before applications of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of the Group's revenue for the year ended 31 March 2020 (the "Reporting Period") is as follows:

Disaggregation of revenue from contracts with customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Type of goods or services		
Goods transferred at a point of time		
Sale of diesel oil and related products		
Diesel oil	271,646	213,612
Marine diesel oil	55,696	14,439
Lubricant oil	777	1,667
	<u>328,119</u>	<u>229,718</u>
Sales of steel products	111,219	–
	<u>111,219</u>	<u>–</u>
Total revenue from contracts with customers	<u>439,338</u>	<u>229,718</u>

The Group operates in two continuing operating segment for the sale of diesel oil and related products in Hong Kong and sale of steel products in the PRC.

Performance obligations for contracts with customers

Details of performance obligations for contracts with customers for the year ended 31 March 2020 are set out in the consolidated financial statement.

Transaction price allocated to the remaining performance obligation for contracts with customers

All revenue from sale of diesel oil and related products are for the periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. SEGMENT INFORMATION

A single management team reports to the Directors (being the chief operating decision-maker (the “CODM”)) who comprehensively manage the entire business. During the year, the Group commenced the business in engaging in the sales of steels products, and it is considered as a new operating and reputable segment by the CODM.

China Forest Food Limited and its subsidiaries (“China Forest Food Group”) constitute a major line of business in sale and distribution of health food. Upon the Group entered the sale and purchase agreement in relation to disposal of 90% equity interest in China Forest Food Group on 28 March 2019, it reclassified as discontinued operation and the segment information reported below does not include any amounts for the discontinued operation, which are disclosed the details in Note 10.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

- Sale and transportation of diesel oil and related products
- Sale of steel products

Segment revenues and results

Continuing operations

The following is an analysis of the Group’s turnover and results by reportable and operating segment:

	Sale and transportation of diesel oil and related products		Sale of steel products		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>328,119</u>	<u>229,718</u>	<u>111,219</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>439,338</u>	<u>229,718</u>
Segment result	<u>8,608</u>	<u>9,614</u>	<u>(350)</u>	<u>–</u>	<u>(1,258)</u>	<u>(3,466)</u>	<u>7,000</u>	<u>6,148</u>
Other segment information:								
Other gain or losses							291	802
Finance costs							(1,363)	(137)
Profit before taxation							<u>5,928</u>	<u>6,813</u>
Assets and liabilities								
Segment assets	<u>107,858</u>	<u>91,929</u>	<u>40,427</u>	<u>–</u>	<u>4,522</u>	<u>6,342</u>	<u>152,807</u>	<u>98,271</u>
Segment liabilities	<u>27,614</u>	<u>14,304</u>	<u>8,005</u>	<u>–</u>	<u>10,654</u>	<u>4,469</u>	<u>46,273</u>	<u>18,773</u>

The accounting policies of the operating segments are the same as the Group’s accounting policies described in the consolidated financial statements. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of central administration costs, other gains or losses, fair value change on contingent consideration payables, certain allowance for ECL on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at fair value through profit or loss, certain prepayment, certain other receivables, certain bank and cash balances and other assets for corporate use;
- all liabilities are allocated to reportable segments other than bonds payables, certain accruals and other liabilities for corporate use.

Other segment information

Continuing operations

	Sale and transportation of diesel oil and related products		Sales of steel products		Unallocated		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss on disposal of subsidiaries	-	-	-	-	(27)	-	(27)	-
Additions to non-current assets	510	-	12,577	-	-	-	13,087	-
Depreciation on property, plant and equipment	(2,222)	(2,424)	(9)	-	-	-	(2,231)	(2,424)
Depreciation on right-of-use assets	(1,224)	-	-	-	-	-	(1,224)	-
Gain of disposal of property, plant and equipment	545	-	-	-	-	-	545	-
Allowance for ECL on trade and other receivable, net	(516)	(1,249)	(6)	-	(716)	-	(1,238)	(1,249)
Net (loss)/gain on financial assets at fair value through profit or loss	-	-	-	-	(471)	390	(471)	390
Realised loss on financial assets at fair value through profit or loss	-	-	-	-	(356)	-	(356)	-

Geographical information

The Group's operation is located in Hong Kong and PRC during the year ended 31 March 2020 and 2019. The Group's revenue from continuing operations from external customers based on the location of customers are detailed below:

	Revenue from external customer	
	Year ended	
	31/3/2020	31/3/2019
	HK\$'000	HK\$'000
Hong Kong	328,119	229,718
PRC	111,219	–
	<u>439,338</u>	<u>229,718</u>

Information about the Group's non-current assets is presented based on the geographical location of the assets are detailed below:

	Non-current assets	
	31/3/2020	31/3/2019
	HK\$'000	HK\$'000
Hong Kong	8,653	9,960
PRC	20,481	–
	<u>29,134</u>	<u>9,960</u>

Non-current assets excluded financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and deferred tax assets.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	HK\$'000	HK\$'000
Customer A ¹	–*	51,449
Customer B ¹	45,415	–*
Customer C ¹	45,581	–*
Customer D ¹	71,455	–*
	<u>162,451</u>	<u>51,449</u>

* The customer contributed less than 10% of the total revenue of the Group.

Note:

¹ Revenue from the diesel oil and related products.

6. OTHER GAINS OR LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Gain on disposal of property, plant and equipment	545	–
Realised loss on financial assets at fair value through profit or loss	(356)	–
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(471)	390
Loss on disposals of subsidiaries	(27)	–
Bank interest income (<i>Note</i>)	41	–
Transportation services fee	452	243
Rental income from diesel vehicle	79	135
Sundry income	28	34
	<u>291</u>	<u>802</u>

Note: Bank interest income mainly represents interest generated from the share offer fund deposited in bank.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Interest expenses on bank borrowings wholly repayable within five years	632	134
Interest expenses on bank overdrafts	8	1
Interest expenses on bonds	694	–
Interest expenses on lease liabilities	29	–
Interest expenses on obligations under finance leases	–	2
	<u>1,363</u>	<u>137</u>

8. PROFIT BEFORE TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging/(crediting):		
Continuing operations		
Directors' emoluments	<u>2,920</u>	<u>2,512</u>
Other staff costs:		
— Salaries and other benefits	6,985	2,108
— Retirement benefits scheme contributions	<u>360</u>	<u>87</u>
	<u>7,345</u>	<u>2,195</u>
Auditors' remuneration (<i>Note i</i>)		
— Audit services	700	700
— Non-audit services	120	—
Cost of inventories recognised as expenses	409,278	202,855
Depreciation of property, plant and equipment		
— Cost of sales	1,790	2,018
— Administrative expenses	<u>441</u>	<u>419</u>
	<u>2,231</u>	<u>2,437</u>
Depreciation of right-of-use assets	1,224	—
Gain on disposal of property, plant and equipment	(545)	—
Allowance for ECL on trade and other receivable, net		
— Allowance for ECL on trade receivables	1,541	1,249
— Allowance for ECL on other receivables	716	—
— Reversal of allowance for ECL on trade receivables	<u>(1,019)</u>	<u>—</u>
	<u>1,238</u>	<u>1,249</u>
Operating lease rental expenses in respect of office premises	<u>—</u>	<u>1,636</u>

Note:

- (i) Exclude services for the listing if the Group.

9. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Current tax		
Hong Kong Profit Tax	1,733	1,942
The PRC Enterprise income tax	—	—
Deferred tax		
Credited for the year	<u>(311)</u>	<u>(465)</u>
	<u>1,422</u>	<u>1,477</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (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 millions of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 millions will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 March 2020 and 2019.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 millions of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 millions.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Profit before taxation	5,928	6,813
Tax at domestic income tax rates	978	1,124
Tax effect of:		
Tax relief of 8.25% on first HK\$2 million assessable profit	(165)	(165)
Tax effect of incomes not taxable for tax purpose	(794)	(111)
Tax effect of expenses not deductible for tax purpose	815	693
Tax effect of temporary differences	(311)	(465)
Tax effect of the tax losses not recognised	949	469
Effect on different tax rates of subsidiaries operating in other jurisdiction	(30)	(48)
Tax reduction	(20)	(20)
Income tax expenses for the year	1,422	1,477

10. DISCONTINUED OPERATIONS/ASSETS HELD FOR SALE

On 28 March 2019, the Group entered into a conditional sale and purchase agreement to dispose the 90% equity interest in China Forest Food Limited, a direct wholly-owned subsidiary of the Company, and its subsidiary (the “**China Forest Food Group**”) which engaged in sale and distribution of health food business, at total consideration approximately of HK\$8,148,000. The disposal was completed on 9 April 2019, on which date the control of China Forest Food Group ceased. There were no movement between the date 1 April 2020 to 9 April 2019.

The result from the discontinued operation for the year, which have been included in the consolidated statement of profit or loss, were as follows:

	<i>HK\$'000</i>
Revenue	44,808
Cost of sales	<u>(44,348)</u>
Gross profit	460
Other gains	13
Impairment loss on goodwill	(3,360)
Administrative expenses	<u>(1,849)</u>
Loss before taxation	(4,736)
Income tax expense	<u>204</u>
Loss for the year	<u><u>(4,532)</u></u>
Loss per share	
Basic and diluted (<i>HK cents</i>)	<u><u>(0.57)</u></u>

Loss for the year from discontinued operation has been arrived at after charging/(crediting):

	<i>HK\$'000</i>
Discontinued operation	
Auditors' remuneration	–
Directors' emoluments	–
Cost of inventories sold	43,547
Depreciation	13
Exchange gain, net	(12)
Operating lease rental in respect of leased premises	183
Staff costs (excluding directors' remuneration)	445
Amortisation of intangible assets	<u><u>815</u></u>

The following assets and liabilities were reclassified as disposal group held for sale in relation to the discontinued operation as at 31 March 2019:

	2019 HK\$'000
Assets classified as held for sale	
Property, plant and equipment	27
Intangible asset	10,907
Goodwill	6,608
Trade receivables	3,244
Prepayments, deposits and other receivables	93
Cash and bank balances	<u>8</u>
Total assets classified as held for sale	<u><u>20,887</u></u>
Liabilities classified as held for sale	
Trade payables	658
Accruals and other payables	4,799
Due to the Group (<i>Note</i>)	3,650
Deferred tax liabilities	<u>2,727</u>
Total liabilities classified as held for sale	<u><u>11,834</u></u>
Net assets classified as held for sale	<u><u>9,053</u></u>

Note: Pursuant to the agreement between the Group and the independent third party purchaser of the China Forest Food Group, the balance will be settled within one year from the completion date of the disposal.

Non-recurring fair value measurements:

In accordance with HKFRS 5, disposal group held for sale were written down to their fair value less cost of disposal with reference to the consideration price of sale and purchase agreement under the fair value hierarchy level 2.

During the year ended 31 March 2019, the disposal group contributed a net cash outflow used in operating activities with an amounting of approximately 1,676,000 to the Group. Cumulative amount of approximately HK\$27,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive expenses and included in equity.

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: HK\$Nil).

12. EARNINGS PER SHARE

Continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company	<u>4,664</u>	<u>804</u>
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation basic earnings per share	<u>800,000</u>	<u>800,000</u>

The calculation of basic earnings per share for the years ended 31 March 2020 and 2019 is based on profit attributable to owners of the Company and the weighted average number of shares.

The weighted average number of ordinary shares is based on 800,000,000 (2019: 800,000,000) in issue during the year ended 31 March 2020.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary share in existence during the years ended 31 March 2020 and 2019.

Continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to owners of the Company are based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year from continuing operations attributable to owners of the Company)	<u>4,664</u>	<u>5,336</u>

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted earnings per share from continuing and discontinued operations respectively.

Discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to owners of the Company are based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year from discontinued operations attributable to owners of the Company)	–	(4,532)

The weighted average number of ordinary shares used herein are same as those detailed above for the purpose of basic and diluted loss per share from continuing and discontinued operations respectively.

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	78,367	72,635
Less: Allowance for impairment losses on trade receivables	(1,771)	(1,249)
	<u>76,596</u>	<u>71,386</u>

(a) Ageing analysis

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of the reporting periods:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	20,298	18,911
31 to 60 days	10,825	14,581
61 to 90 days	13,023	13,951
91 to 120 days	25,009	6,501
121 to 150 days	9,190	18,691
Over 150 days	22	–
	<u>78,367</u>	<u>72,635</u>

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$34,221,000 (2019: HK\$23,005,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$9,212,000 (2019: HK\$12,151,000) has been past due 90 days or more and is not considered as in default due to a number of independent debtors that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's average credit term with its customers is, in general, 3 days to 150 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Details on the Group's credit policy are set out in the consolidated financial statements.

(b) Impairment assessment of trade receivables

Net losses allowance for expected credit losses on trade receivables of approximately HK\$522,000 and HK\$1,249,000 have been recognised to the consolidated profit or loss and other comprehensive income for the year ended 31 March 2020 and 2019 respectively.

Details of impairment assessment of trade receivables for the year ended 31 March 2020 and 2019 are set out in the consolidated financial statements.

14. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	7,729	5,796
Bills payable	–	1,141
	<u>7,729</u>	<u>6,937</u>

The average credit term from suppliers is up to 3 to 90 days. The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	7,727	5,796
31 to 60 days	–	–
61 to 90 days	2	–
	<u>7,729</u>	<u>5,796</u>

Bills payable mature within 90 days.

Notes:

The bills payable are secured by:

- (a) unlimited personal guarantee provided by an executive Director of the Company Mr. Fong; and
- (b) pledge of the property which owned by an executive Director of the Company Mr. Fong.

15. SHARE CAPITAL

	<i>Number of Share</i>	<i>HK\$'000</i>
Authorised: As at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid: As at 1 April 2018, 31 March 2019, 1 April 2019 and 31 March 2020	<u>800,000,000</u>	<u>8,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally carries on the business of sales and transportation of diesel oil and related products in Hong Kong. The Group also supplies marine diesel oil used for construction vessels and lubricant oil used for construction machinery and vehicles. Most of the Group's customers are construction companies which require diesel oil to operate their construction machinery and vehicles. The Group had a fleet of eight diesel tank wagons of various capacity and a marine oil barge as at 31 March 2020.

During the year ended 31 March 2019, the Company and Virtue Ever Limited entered into an acquisition agreement for the acquisition of 100% equity interest in China Forest Food Limited (“**China Forest Food**”) which then became a wholly owned subsidiary of the Company and the financial statements of China Forest Food had consolidated into the consolidated financial statements of the Group. During the year ended 31 March 2020, the Company disposed of 90% of the equity interest in China Forest Food (the “**Disposal**”). Following completion of the Disposal, the financial results of China Forest Food were no longer consolidated into the consolidated financial statements of the Group.

The Group, together with Xinyu Iron and Steel Group Co., Ltd.* (新余鋼鐵集團有限公司) and Xinyu Investment Holding Group Co., Ltd.* (新余市投資控股有限公司), established a joint venture company in the People's Republic of China (the “**PRC**”) which is principally engaged in the business of steel products processing, motor parts and finished products manufacturing and machining in the PRC during the year ended 31 March 2020. The registered capital of the joint venture company is RMB30.0 million, which is owned as to 55% by the Group.

Sale and transportation of diesel oil and related products business

The Group has recorded a revenue of approximately HK\$328.1 million from the sale and transportation of diesel oil and related products for the year ended 31 March 2020, representing approximately 74.7% of the Group's total revenue and an increase of approximately HK\$98.4 million or 42.8% as compared to the year ended 31 March 2019. The increase was mainly due to increase in demand from customers upon the commencement of an existing customer's project in October 2018 and the demand of marine diesel oil from three new customers.

Sale of steel product business

The Group has recorded a revenue of approximately HK\$111.2 million from the sale of steel products for the year ended 31 March 2020, representing approximately 25.3% of the Group's total revenue.

* For identification purpose only

Meanwhile, the Group has executed strict control on costs and expenses. The Group recorded a net profit of approximately HK\$4.5 million for the year ended 31 March 2020. The increase in profit was mainly attributable to the loss of discontinued operation of health food business of approximately HK\$4.5 million for the year ended 31 March 2019 but compensated by fair value change on contingent consideration payables arising from disposal of a subsidiary of approximately HK\$3.6 million for the year ended 31 March 2020.

The profit attributable to the owners of the Company would have been approximately HK\$4.7 million and approximately HK\$0.8 million for the year ended 31 March 2020 and 2019, respectively, representing an increase of approximately HK\$3.9 million as compared to the year ended 31 March 2019.

COMPARISON OF IMPLEMENTATION PLANS FOR BUSINESS STRATEGIES WITH ACTUAL IMPLEMENTATION PROGRESS

Details of the business objectives and strategies and future development of the business of the Group are set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus of the Company dated 29 March 2017.

USE OF PROCEEDS

As disclosed in the 2019 Annual Report of the Company, the actual net proceeds (the “**Net Proceeds**”) from the Share Offer (after deduction of the underwriting commission and Listing related expenses) were approximately HK\$45.1 million, which was less than the estimated Net Proceeds of approximately HK\$50.9 million as set out in the Prospectus and the allotment results announcement of the Company dated 11 April 2017.

Set out below is the actual use of the Net Proceeds up to 31 March 2020:

	Planned use of total Net Proceeds <i>HK\$ million</i>	Approximate percentage of total Net Proceeds	Actual use of Net Proceeds up to 31 March 2020 <i>HK\$ million</i>	Unused total Net Proceeds up to 31 March 2020 <i>HK\$ million</i>	Expected timeframe for the remaining utilising net proceeds <i>(note)</i>
Purchase of diesel tank wagons	7.8	17.3%	3.9	3.9	By 31 March 2022
Purchase of marine diesel oil barge	14.0	31.0%	8.5	5.5	By 31 March 2022
Further strengthen our manpower	6.1	13.6%	2.1	4.0	By 31 March 2022
Upgrade of our information technology systems	3.6	7.9%	0.1	3.5	By 31 March 2022
Working capital necessary for the operation of the new diesel tank wagons and marine bunkering business	9.1	20.2%	6.7	2.4	By 31 March 2022
Working capital	4.5	10.0%	4.5	–	
Total	45.1	100.0%	25.8	19.3	

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market condition made by the Group. It will be subject to change based on current and future development of market conditions.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$209.6 million or approximately 91.3% from approximately HK\$229.7 million for the year ended 31 March 2019 to approximately HK\$439.3 million for the year ended 31 March 2020.

Revenue from the sale of diesel oil, marine diesel oil and lubricant oil accounted for approximately HK\$271.6 million, HK\$55.7 million and HK\$0.8 million, representing approximately 61.8%, 12.7% and 0.2%, respectively, of the Group's total revenue for the year ended 31 March 2020. For the year ended 31 March 2019, the revenue from the sale of diesel oil, marine diesel oil and lubricant oil accounted for approximately HK\$213.6 million, HK\$14.4 million and HK\$1.7 million, representing approximately 93.0%, 6.3% and 0.7%, respectively, of the Group's total revenue. Sale of diesel oil remained the largest contributor to the Group's revenue. The increase was mainly due to more demand from construction customers and logistic customers.

Revenue from sale of steel products business accounted for approximately HK\$111.2 million, representing 25.3% of the Group's total revenue (2019: Nil).

The increase in the Group's revenue was primarily due to the increase in the Group's sale of diesel oil and increase in sale of steel products. Increase in demand of marine diesel oil was attributable to the demand of three new customers during the year ended 31 March 2020.

Cost of sales

Cost of the sale and transportation of diesel oil and related products business primarily consists of diesel oil costs, marine diesel oil costs, lubricant oil costs, direct labour costs and depreciation. The purchase cost for the diesel oil, marine diesel oil costs and lubricant oil costs depends on the domestic purchase price offered by the Group's oil suppliers, with reference to the price indices such as Europe Brent spot crude price. Cost of the sale of steel product business mainly consists of raw material costs, direct labour costs and transportation costs. For the year ended 31 March 2020, the Group's cost of the sales was approximately HK\$415.5 million, representing an increase of approximately 99.8% from approximately HK\$208.0 million for the year ended 31 March 2019.

Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group's gross profit slightly increased by approximately HK\$2.1 million from approximately HK\$21.7 million for the year ended 31 March 2019 to approximately HK\$23.8 million for the year ended 31 March 2020. The Group's gross profit margin decreased from approximately 9.5% for the year ended 31 March 2019 to approximately 5.4% for the year ended 31 March 2020. The increase in gross profit was mainly due to the bulk purchase discount attend to a major customer for the year ended 31 March 2020.

Other gains or losses

The Group's other gains or losses decreased from the gains of approximately HK\$0.8 million for the year ended 31 March 2019 to the gains of approximately HK\$0.3 million for the year ended 31 March 2020 mainly due to the realised loss on financial assets at fair value through profit or loss of approximately HK\$0.4 million and the unrealised loss on financial assets at fair value through profit or loss of approximately HK\$0.5 million for the year ended 31 March 2020.

Profit for the year

As a result of the foregoing, the Group's net profit of approximately HK\$4.5 million and HK\$0.8 million for the year ended 31 March 2020 and 2019 respectively, representing an increase of approximately HK\$3.7 million as compared with the year ended 31 March 2019, and the Group's net profit margin increased from approximately 0.4% to approximately 1.0% during the same periods. The increase in the net profit and net profit margin for the year ended 31 March 2020 was mainly due to increase sale and transportation of diesel oil business and the fair value change on contingent consideration payables of approximately HK\$3.6 million for the year ended 31 March 2020.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

The Group finance its operations through cash generated from capital contribution from non-controlling interest of a subsidiary and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK\$82.0 million as at 31 March 2020.

As at 31 March 2020, the Group's current assets amounted to approximately HK\$118.7 million (2019: HK\$109.0 million) and the Group's current liabilities amounted to approximately HK\$36.8 million (2019: HK\$26.1 million). Current ratio was approximately 3.2 (2019: 4.2) as at 31 March 2020. Current ratio is calculated based on total current assets at the end of the year divided by total current liabilities at the end of the year. Gearing ratio was approximately 23.6% as at 31 March 2020 which was calculated based on the total debt at the end of the year divided by total equity at the end of the year.

As at 31 March 2020, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$65.0 million (2019: HK\$20.0 million) and approximately HK\$16.1 million (2019: HK\$4.2 million) of the banking facilities was utilised.

The bank borrowings were denominated in Hong Kong dollars with two banking facilities which respectively carried at variable interest rate of the ranged from 3.57% to 4.88% and 2.76% to 3.97% per annum for the year ended 31 March 2020. For the year ended 31 March 2019, all the bank borrowings were interest-bearing which carried variable interest rate ranging from 4.88% to 6.13% per annum. As at 31 March 2020, the bank borrowings of the Group were secured by the corporate guarantee, fixed deposits and life insurance policy of the Group.

CAPITAL STRUCTURE

For the year ended 31 March 2020, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$91.8 million (2019: HK\$88.6 million). The share capital of the Group only comprises of ordinary shares.

The Shares were listed on the GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then.

FOREIGN CURRENCY EXPOSURE RISKS

The Group operates mainly in Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the distribution of health food transactions settled in Renminbi and financial assets with Malaysian ringgit. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group however did not engage in any derivatives agreements and did not commit to any financial instrument to hedge its foreign exchange exposure during the year ended 31 March 2020.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

On 27 June 2019, Eastern Champion Development Limited (“**Eastern Champion**”), an indirect wholly-owned subsidiary of the Company, 新余鋼鐵集團有限公司 (Xinyu Iron and Steel Group Co., Ltd*) and 新余市投資控股有限公司 (Xinyu Investment Holding Group Co., Ltd.*) entered into the joint venture agreement relating to the formation of the joint venture company in the PRC (the “**JV Company**”) for the purpose of engaging in, among other things, steel products processing, motor parts and finished products manufacturing and machining in the PRC. Pursuant to such joint venture agreement, the JV Company shall have a registered capital of RMB30,000,000 which is owned as to 55% to Eastern Champion, 35% by Xinyu Iron and Steel Group Co., Ltd and 10% by Xinyu Investment Holding Group Co., Ltd respectively. For further details, please refer to the announcement of the Company dated 27 June 2019.

On 23 March 2020, the Company and Mr. Zhu Yixiang and Mr. Li Weinian (collectively, the “**Vendor**”) entered into the sale and purchase agreement (the “**SPA**”), pursuant to which the Vendor conditionally agreed to sell and the Company is conditionally agreed to purchase 51% equity interest in Meijia Shell (Global) Lubricant Technology Limited at an aggregate consideration of approximately HK\$16,380,000. The consideration was satisfied by the allotment and issuance of 78,000,000 Shares under general mandate (the “**Consideration**”).

Shares”) at the issue price of HK\$0.21 by the Company to the Vendor. The acquisition was completed on 21 April 2020. Upon the completion, 78,000,000 new Shares, representing approximately 8.9% of the issued share capital of the Company as at 21 April 2020 (as enlarged by the issue of the Consideration Shares), have been duly allotted and issued as fully paid to the Vendor at the issue price of HK\$0.21 each under the general mandate. Accordingly, immediately after the completion, there are 878,000,000 Shares in issue. Please refer to the announcements of the Company dated 23 March 2020, 31 March 2020 and 21 April 2020 respectively for details.

During the year ended 31 March 2020, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies, save as disclosed from above.

* *For identification purpose only*

FINANCIAL ASSETS THROUGH PROFIT AND LOSS

As at 31 March 2020, the Group had invested a total amount of approximately HK\$0.8 million in a company listed in Bursa Malaysia Berhad and HK\$4.7 million of key management personnel life insurance with an insurance company. As at 31 March 2020, this investment was reflected at fair value, and a net unrealised gain of approximately HK\$0.5 million and a realised loss of approximately HK\$0.4 million were recorded.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, save as disclosed above in the section headed “Use of Proceeds” in this announcement, the Group did not have any other material capital commitments or any material contingent liabilities.

DIVIDENDS

The Directors do not recommend a payment of any dividend for the year ended 31 March 2020.

PLEDGE OF ASSETS

As at 31 March 2020, the Group’s pledged short-term bank deposits in the amount of HK\$12.0 million and life insurance policy in the amount of HK\$4.7 million were pledged as security for the Group’s banking facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 53 employees (22 employees as at 31 March 2019) including the Directors. For the year ended 31 March 2020, total staff costs amounted to approximately HK\$10.3 million (year ended 31 March 2019: approximately HK\$4.7 million). Remuneration (including employees’ benefits) is maintained within the market level and reviewed on a periodic basis. Employees’ salary and relevant benefits are determined on the basis of performance, qualification, experience, positions and the Group’s business performance.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the sale and transportation of diesel oil and related products business of the Group is governed by Hong Kong environmental laws and regulations including the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) and the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) in Hong Kong.

These laws and regulations cover a broad range of environmental matters, including air pollution, noise and gas emissions, leakage of oil products or other hazardous substances. The Group recognises the importance of environmental protection and has implemented various environmental protection measures in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the business operations in order to ensure that it does not have only significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable current Hong Kong laws or regulations.

As at the date of this announcement, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any environmental laws or regulations.

EVENTS AFTER THE REPORTING PERIOD

On 23 March 2020, the Company and the Vendor entered into the SPA, pursuant to which the Vendor have conditionally agreed to sell and the Company has conditionally agreed to purchase 51% equity interest in the Meijia Shell (Global) Lubricant Technology Limited at an aggregate consideration of approximately HK\$16,380,000. The consideration was satisfied by the allotment and issuance of 78,000,000 Consideration Shares under general mandate at the Issue Price of HK\$0.21 by the Company to the Vendor. The acquisition was completed on 21 April 2020. Upon the completion, 78,000,000 new Shares, representing approximately 8.9% of the issued share capital of the Company as at 21 April 2020 (as enlarged by the issue of the consideration shares), have been duly allotted and issued as fully paid to the Vendors at the issue price of HK\$0.21 each under the general mandate. Accordingly, immediately after the completion, there are 878,000,000 Shares in issue. Please refer to the announcements respectively of the Company dated 23 March 2020, 31 March 2020 and 21 April 2020 respectively for details.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guotai Junan Capital Limited ("**Guotai Junan**") to be the compliance adviser. As informed by Guotai Junan, neither Guotai Junan nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the participation of Guotai Junan as the sponsor in relation to the Listing and the compliance adviser agreement entered into between the Company and Guotai Junan on 8 September 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 March 2020 and up to the date of this announcement, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 March 2020 and up to the date of this announcement. The independent non-executive Directors confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement the Company has maintained a sufficient public float as required under the GEM Listing Rules.

AUDIT COMMITTEE

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 full terms of reference setting out details of the authority, duties and responsibilities of the Audit Committee is available on both the GEM website and the Company's website.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan meanwhile Mr. Chui Chi Yun, Robert, is the Chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 March 2020. The final results announcement of the Group for the year ended 31 March 2020 has been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Up to 31 March 2020 there has been no purchase, sale or redemption of any Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, the Company confirms that all of the Directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions as at the date of this announcement.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme in which certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for Shares on 23 March 2017 (the “**Adoption Date**”). The share option scheme became unconditional upon the Listing Date. Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

No share options were granted since the Adoption Date up to 31 March 2020, and there was no share option outstanding as at 31 March 2020. As at 31 March 2020, the Company had 80,000,000 shares available for issue under the Scheme, representing 10% of the existing issued share capital of the Company.

CORPORATE GOVERNANCE PRACTICE

The Board is committed to establishing and ensuring high standards of corporate governance and adopt sound corporate governance practices. The Company’s corporate governance practices are based on the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Directors strongly believe that reasonable and sound corporate governance practices are essential for the growth of the Group and for safeguarding and enhancing shareholders’ interests.

The Directors consider that throughout the year ended 31 March 2020, the Company has complied with all the applicable code provisions set out in the CG Code.

ANNUAL GENERAL MEETING

The annual general meeting (“**AGM**”) of the Company will be held on 6 August 2020, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Monday, 3 August 2020 to Thursday, 6 August 2020, both days inclusive, during which period no transfer of the shares of the Company will be registered.

Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on 31 July 2020.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

FUTURE PROSPECTS

The outbreak of COVID-19 has brought adverse impact on the economic condition in an international and domestic context. The Directors will continue to observe closely and manage risks associated.

In view of the challenging business environment and keen competition in the diesel oil sales market in Hong Kong, the Group will deploy more resources on talent recruitment and strengthen the business development and marketing strategy on diesel oil guardedly and will also proactively seek potential business opportunities that will broaden our sources of income and enhance value to the shareholders.

APPRECIATION

The Board would like to extend its sincere thanks to the Group's shareholders, business partners and customers for their utmost support to the Group. The Group would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

By order of the Board
F8 Enterprises (Holdings) Group Limited
Fong Chun Man
Chairman

Hong Kong, 26 June 2020

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 and Mr. CHAN Chi Fai; 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 will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at www.f8.com.hk.