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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement (the “**Announcement**”) of F8 Enterprises (Holdings) Group Limited (the “**Company**”) issued on 3 July 2020. Unless the context otherwise requires, capitalised terms defined in the Announcement have the same meanings when used in this announcement.

The Board wished to provide the following additional information relating to the Purchase Transactions:

1. PRICING POLICY

As disclosed in the Announcement, the purchase price for the Purchase Transactions will be determined on order-by-order basis with reference to the prevailing comparable market price after arm’s length negotiation between the Group and each of Wisdri (Xinyu) and New Steel (Shanghai) from time to time.

When determining and approving the price and terms of the Purchase Transactions, the Company will consider the following:

- (i) The historical transaction amount paid by the Company for products of similar type, scale and quality is taken into account.
- (ii) To ensure that the purchase price payable by the Company represents the prevailing market price and is on normal commercial terms, the Company will compare the purchase price with quotations from not less than three independent suppliers that provide similar products. The purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality. Reference will also be made to the market price index published on the website of “China United Railway Network*” (中國聯合鐵網) (<http://www.custeel.com/reform/shuju.shtml>), an iron and steel industry website developed by major steel enterprises in the PRC, to ascertain the spot price of iron and steel materials on a weekly basis.

- (iii) The purchase price will also be determined with reference to factors such as types and specifications of products required, the estimated delivery time, transportation costs, quality and quantity of products and any other factors affecting the products' prices.
- (iv) In the event that the price offered by Wisdri (Xinyu) and New Steel (Shanghai) are less favourable than those offered by the independent suppliers, the Company will not enter into purchases with Wisdri (Xinyu) and New Steel (Shanghai). The Directors (including the independent non-executive Directors) consider that such internal procedure can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders.

The above pricing policy for the Purchase Transactions will be reviewed by the Directors (including the independent non-executive Directors) on quarterly basis.

2. PROPOSED ANNUAL CAPS

The Company estimates that the amount of the annual cap in respect of the Purchase Transactions is HK\$65,000,000 for the financial year ending 31 March 2021 and HK\$72,000,000 for the financial year ending 31 March 2022. The proposed annual caps were determined with reference to factors including but not limited to:

- (i) the historical transaction amount between Jiangxi Xinji and each of New Steel (Shanghai) and Wisdri (Xinyu);
- (ii) the level of the Group's current demand for the iron and steel materials as shown by its recent monthly purchases from Jiangxi Xinji to Wisdri (Xinyu) and New Steel (Shanghai) during the period between May and July 2020;
- (iii) the expected demand for the iron and steel materials to meet the production requirements of Jiangxi Xinji's operation for the two years ending 31 March 2022 as supported by: (a) sales agreements entered into between the Group and two independent customers for the supply of steel products with an aggregate expected monthly purchases of 800 tonnes; and (b) estimated purchase orders of steel products that the Group plans to secure from other independent customers;
- (iv) the iron and steel material available from other independent suppliers for the need to reduce the risk of supplier concentration on Wisdri (Xinyu) and New Steel (Shanghai); and
- (v) the estimated future market growth of the steel products processing and motor parts manufacturing in the PRC.

Having taken into account the information set out above, the Directors (including the independent non-executive Directors) considered that the proposed annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

3. INTERNAL CONTROL PROCEDURES

In order to ensure proper compliance of the GEM Listing Rules, the Company has adopted the following measures to strengthen the relevant internal control procedures on connected transactions:

- (i) The management of Jiangxi Xinji will approve each transaction under the Master Purchase Agreements to ensure that the prices of iron and steel materials provided by Wisdri (Xinyu) and New Steel (Shanghai) reflecting the prevailing market price and will be on an arm's length basis under normal commercial terms.
- (ii) The finance department of the Company (the “**Finance Department**”) and the Chief Operation Officer of the Company, who has professional knowledge on the GEM Listing Rules, are designated to maintain a list of connected persons and keep updating the list in a timely manner.
- (iii) The Financial Department will, on a monthly basis, review the transaction amounts incurred for the previous month and the results will be reported to the management of the Company and the Board. The Financial Department will inform the management of the Company and the Board on a timely basis in the event the annual cap is likely to be exceeded.
- (iv) The Company will review the connected transactions ledger on quarterly basis. If there is any discrepancy, investigation shall be carried out by the Finance Department and the Chief Operation Officer to clarify the discrepancy.
- (v) In July 2020, the Company has issued relevant guidance and training materials on connected transactions to the Directors, senior management and the relevant staff of the Group, including staff of Jiangxi Xinji, on connected transactions requirements under the GEM Listing Rules to enable them to have a better understanding on the relevant rules and ensure due compliance of the GEM Listing Rules.
- (vi) The Company will adopt video-conferencing technology to maintain effective communication with its subsidiaries.
- (vii) The audit committee of the Company consisting of three independent non-executive Directors will be entrusted with the responsibility to review and improve the internal control system and financial reporting system of the Company.
- (viii) The Company will disclose the actual transaction amounts in the annual report of the Company every year. The independent non-executive Directors and the auditors of the Company will also issue opinions on the continuing connected transactions pursuant to the GEM Listing Rules.
- (ix) The auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the pricing policies and annual caps during the preceding financial year pursuant to the GEM Listing Rules.

- (x) The Company will seek legal advice and/or other professional advice from time to time as and when it is necessary to ensure proper compliance with the relevant requirements of the GEM Listing Rules by the Group.

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

Hong Kong, 23 September 2020

As at the date of this announcement, the chairman and executive Directors is Mr. Fong Chun Man, the executive Directors are Ms. Lo Pui Yee and Mr. Chan Chi Fai; and the independent non-executive Directors are Mr. Chui Chi Yun, Robert, Mr. Kwong Yuk Lap and Mr. Wang Anyuan.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the 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.

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 <http://www.f8.com.hk>.

* *For identification purpose only*