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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 2021**

#### **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\$438.2 million and HK\$439.3 million for the year ended 31 March 2021 and 2020 respectively, representing a decrease of approximately HK\$1.1 million or 0.3% as compared to the year ended 31 March 2020.
- The Group's net profit for the year was approximately HK\$5.5 million and HK\$4.5 million for the year ended 31 March 2021 and 2020 respectively, representing an increase of approximately HK\$1.0 million as compared with the year ended 31 March 2020, and the Group's net profit margin increased from approximately 1.0% to approximately 1.2% during the same period. The increase in the net profit and net profit margin for the year ended 31 March 2021 was mainly due to the increase in the sale and transportation of diesel oil business; which was offset by the decrease in the sale of steel products and the increase in fair value change on contingent consideration receivable for the year ended 31 March 2021.
- The Directors do not recommend the payment of any dividend for the year ended 31 March 2021.

## 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 2021 together with the comparative audited figures for the year ended 31 March 2020, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>438,217</b>	439,338
Cost of sales		<u>(410,089)</u>	<u>(415,521)</u>
<b>Gross profit</b>		<b>28,128</b>	23,817
Other gains or losses	6	<b>9,587</b>	291
Fair value change on contingent consideration receivable		<b>1,220</b>	–
Fair value change on contingent consideration payables		–	3,598
Administrative expenses		<b>(16,820)</b>	(16,042)
Other operating expenses		<b>(7,982)</b>	(3,135)
Allowance for expected credit loss (“ <b>ECL</b> ”) on trade and other receivables and deposits, net		<u>(4,586)</u>	<u>(1,238)</u>
<b>Profit from operations</b>		<b>9,547</b>	7,291
Finance costs	7	<u>(2,745)</u>	<u>(1,363)</u>
<b>Profit before taxation</b>	8	<b>6,802</b>	5,928
Income tax expenses	9	<u>(1,343)</u>	<u>(1,422)</u>
<b>Profit for the year</b>		<u><b>5,459</b></u>	<u>4,506</u>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Other comprehensive income/(loss) for the year</b>			
Items that will not be reclassified to profit or loss:			
Fair value change on financial assets at fair value through other comprehensive income		—	(905)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,536	(1,027)
Reclassification for foreign operation disposed of during the year		—	27
		<u>3,536</u>	<u>(1,000)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u><u>3,536</u></u>	<u><u>(1,905)</u></u>
<b>Total comprehensive income for the year</b>		<u><u>8,995</u></u>	<u><u>2,601</u></u>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		6,387	4,664
Non-controlling interests		(928)	(158)
		<u>5,459</u>	<u>4,506</u>
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Owners of the Company		8,331	3,221
Non-controlling interests		664	(620)
		<u>8,995</u>	<u>2,601</u>
<b>Earnings per share</b>			
Basic and diluted (HK cents)	<i>11</i>	<u><u>0.73</u></u>	<u><u>0.58</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>21,621</b>	20,494
Right-of-use assets		<b>956</b>	245
Prepayment for right-of-use assets		<b>8,920</b>	8,235
Goodwill		<b>2,044</b>	–
Deposits for property, plant and equipment		<b>13,867</b>	160
Financial assets at fair value through profit or loss		<b>4,778</b>	4,678
Contingent consideration receivable		<b>7,060</b>	–
Deferred tax assets		<b>650</b>	291
		<u><b>59,896</b></u>	<u>34,103</u>
<b>Current assets</b>			
Inventories		<b>16,350</b>	11,519
Trade receivables	<i>12</i>	<b>69,408</b>	76,596
Prepayments, deposits and other receivables		<b>27,914</b>	11,153
Financial assets at fair value through profit or loss		–	750
Contingent consideration receivable		<b>8,361</b>	–
Pledged bank deposits		<b>12,158</b>	12,025
Cash and bank balances		<b>20,535</b>	6,661
		<u><b>154,726</b></u>	<u>118,704</u>
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>32,517</b>	7,729
Accruals, other payables and deposits received		<b>11,812</b>	7,179
Contract liabilities		<b>5,780</b>	4,509
Bank and other borrowings		<b>21,294</b>	16,090
Bonds payable		<b>8,800</b>	–
Lease liabilities		<b>648</b>	252
Tax payables		<b>1,172</b>	1,016
		<u><b>82,023</b></u>	<u>36,775</u>
<b>Net current assets</b>		<u><b>72,703</b></u>	<u>81,929</u>
<b>Total assets less current liabilities</b>		<u><b>132,599</b></u>	<u>116,032</u>

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>110</b>	–
Bonds payable		–	8,800
Deferred tax liabilities		<b>451</b>	698
		<u><b>561</b></u>	<u>9,498</u>
<b>Net assets</b>		<u><b>132,038</b></u>	<u>106,534</u>
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>8,780</b>	8,000
Reserves		<b>107,703</b>	83,772
		<u><b>116,483</b></u>	<u>91,772</u>
Equity attributable to owners of the Company		<b>15,555</b>	14,762
Non-controlling interests		<u><b>132,038</b></u>	<u>106,534</u>
<b>Total equity</b>		<u><b>132,038</b></u>	<u>106,534</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	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 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 and 1 April 2020	8,000	49,221	-*	24,652	(905)	(565)	-	11,369	91,772	14,762	106,534
Profit/(loss) for the year	-	-	-	-	-	-	-	6,387	6,387	(928)	5,459
Other comprehensive loss for the year	-	-	-	-	-	1,944	-	-	1,944	1,592	3,536
Profit and total comprehensive income for the year	-	-	-	-	-	1,944	-	6,387	8,331	664	8,995
Issuance of shares in accordance with acquisition of subsidiaries	780	15,600	-	-	-	-	-	-	16,380	-	16,380
Recognition of non-controlling interest	-	-	-	-	-	-	-	-	-	129	129
At 31 March 2021	8,780	64,821	-	24,652	(905)	1,379	-	17,756	116,483	15,555	132,038

### Notes:

- (i) (1) 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. (2) On 20 April 2020, 78,000,000 shares at HK\$0.01 each of the Company were allotted and issued under general mandate at an issue price of HK\$0.21 per Share in relation to acquisition of subsidiaries.
- (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 2021

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act 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 Unit 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 People's Republic of China (the "PRC") and the manufacturing and sale of steel products and injecting molding machine in the 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")

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual beginning on or after 1 April 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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 these consolidated financial statements.



## 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:

HKFRS 17	Insurance Contract and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19 Related Rent Concessions <sup>4</sup>
Amendment to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

### 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. For the purpose of preparation of the consolidated financial, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 stated in the annual report.

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 *Leases*, 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 reporting period is as follows:

Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Type of goods or services</b>		
<b>Goods transferred at a point in time</b>		
Sale of diesel oil and related products		
Diesel oil	293,678	271,646
Marine diesel oil	63,061	55,696
Lubricant oil	9,231	777
Sale of injecting molding machine	5,366	–
	<u>371,336</u>	<u>328,119</u>
Sales of steel products	66,881	111,219
	<u>66,881</u>	<u>111,219</u>
<b>Total revenue from contracts with customers</b>	<b><u>438,217</u></b>	<b><u>439,338</u></b>

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

#### Performance obligations for contracts with customers

Details of performance obligations for contracts with customers for the year ended 31 March 2021 are set out in the annual report.

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

All revenue from the 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.

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

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>371,336</u>	<u>328,119</u>	<u>66,881</u>	<u>111,219</u>	<u>-</u>	<u>-</u>	<u>438,217</u>	<u>439,338</u>
Segment result	<u>13,951</u>	<u>8,608</u>	<u>(2,898)</u>	<u>(350)</u>	<u>(5,943)</u>	<u>(1,258)</u>	<u>5,110</u>	<u>7,000</u>
Other segment information:								
Other gain or losses							4,437	291
Finance costs							(2,745)	(1,363)
Profit before taxation							<u>6,802</u>	<u>5,928</u>
Assets and liabilities								
Segment assets	<u>154,799</u>	<u>107,858</u>	<u>53,958</u>	<u>40,427</u>	<u>5,865</u>	<u>4,522</u>	<u>214,622</u>	<u>152,807</u>
Segment liabilities	<u>52,229</u>	<u>27,614</u>	<u>19,038</u>	<u>8,005</u>	<u>11,317</u>	<u>10,654</u>	<u>82,584</u>	<u>46,273</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, certain 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 payable, certain accruals and other liabilities for corporate use.

### Other segment information

	Sale and transportation of diesel oil and related products		Sale of steel products		Unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
	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 and right-of-use assets	1,444	510	2,058	12,577	-	-	3,502	13,087
Depreciation on property, plant and equipment	(2,164)	(2,222)	(19)	(9)	-	-	(2,183)	(2,231)
Depreciation on right-of-use assets	(564)	(1,224)	-	-	-	-	(564)	(1,224)
Gain of disposal of property, plant and equipment	-	545	-	-	-	-	-	545
Allowance for ECL on trade and other receivable and deposits, net	(1,651)	(516)	(1)	(6)	(2,934)	(716)	(4,586)	(1,238)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	-	-	-	-	100	(471)	100	(471)
Fair value gain on contingent consideration receivable	1,220	-	-	-	-	-	1,220	-
Realised gain/(loss) on financial assets at fair value through profit or loss	-	-	-	-	363	(356)	363	(356)

## Geographical information

The Group's operation is located in Hong Kong and the PRC during the year ended 31 March 2021 and 2020. 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	
	31/3/2021	31/3/2020
	HK\$'000	HK\$'000
Hong Kong	357,753	328,119
PRC	80,464	111,219
	<u>438,217</u>	<u>439,338</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	
	31/3/2021	31/3/2020
	HK\$'000	HK\$'000
Hong Kong	13,204	8,653
PRC	32,160	20,481
	<u>45,364</u>	<u>29,134</u>

Non-current assets excluded financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, contingent consideration receivable, goodwill 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:

	2021	2020
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	54,500	45,415
Customer B <sup>1</sup>	—*	45,581
Customer C <sup>1</sup>	89,871	71,455
	<u>144,371</u>	<u>162,451</u>

\* The customer contributed less than 10% of the total revenue of the Group for the corresponding year.

Note:

<sup>1</sup> Revenue from the diesel oil and related products.

## 6. OTHER GAINS OR LOSSES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	545
Realised gain/(loss) on financial assets at fair value through profit or loss	<b>363</b>	(356)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	<b>100</b>	(471)
Loss on disposals of subsidiaries	–	(27)
Bank interest income ( <i>Note (i)</i> )	<b>135</b>	41
Transportation services fee	<b>590</b>	452
Rental income from diesel vehicle	<b>1,774</b>	79
Government grants ( <i>Note (ii)</i> )	<b>1,404</b>	–
Compensation income arising from profit guarantee	<b>5,150</b>	–
Sundry income	<b>71</b>	28
	<u><b>9,587</b></u>	<u>291</u>

*Notes:*

- (i) Bank interest income mainly represents interest generated from the deposits in bank.
- (ii) Government grants mainly included approximately HK\$1,244,000 (2020: Nil) provided by the Hong Kong Government in relation to Employment Support Scheme.

## 7. FINANCE COSTS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on bank borrowings wholly repayable within five years	<b>369</b>	632
Interest expenses on other borrowings	<b>1,463</b>	–
Interest expenses on bank overdrafts	<b>2</b>	8
Interest expenses on bonds	<b>880</b>	694
Interest expenses on lease liabilities	<b>31</b>	29
	<u><b>2,745</b></u>	<u>1,363</u>

## 8. PROFIT BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Profit for the year has been arrived at after charging/(crediting):</b>		
Directors' emoluments	<u>2,807</u>	<u>2,920</u>
Other staff costs:		
— Salaries and other benefits	9,492	6,985
— Retirement benefits scheme contributions	<u>538</u>	<u>360</u>
	<u>10,030</u>	<u>7,345</u>
Auditors' remuneration		
— Audit services	700	700
— Non-audit services	20	120
Cost of inventories recognised as expenses	400,048	409,278
Depreciation of property, plant and equipment		
— Cost of sales	1,763	1,790
— Administrative expenses	<u>420</u>	<u>441</u>
	<u>2,183</u>	<u>2,231</u>
Depreciation of right-of-use assets	564	1,224
Gain on disposal of property, plant and equipment	–	(545)
Allowance for ECL on trade and other receivable and deposits, net		
— Allowance for ECL on trade receivables	2,927	1,541
— Allowance for ECL on deposits and other receivables	3,186	716
— Reversal of allowance for ECL on trade receivables	<u>(1,527)</u>	<u>(1,019)</u>
	<u>4,586</u>	<u>1,238</u>
Expenses relating to short-term leases	<u>2,226</u>	<u>–</u>

## 9. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current tax</b>		
Hong Kong Profit Tax	1,799	1,733
The PRC Enterprise income tax	139	–
<b>Deferred tax</b>		
Credited for the year	<u>(595)</u>	<u>(311)</u>
	<u><b>1,343</b></u>	<u><b>1,422</b></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 2019 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 years ended 31 March 2021 and 2020.

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 (中華人民共和國企業所得稅法) (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate for one of the PRC subsidiary is 25% for both years.

According to the EIT Law and the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), an entity eligible as a Small Low-profit Enterprise (小型微利企業) is subject to preferential tax treatments. From 1 January 2019 to 31 December 2021, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% of its taxable income at a tax rate of 20%. During both years, a subsidiary of the Group is eligible as a Small Low-profit Enterprise and is subject to the relevant preferential tax treatments.



## 10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: HK\$Nil).

## 11. EARNINGS PER SHARE

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company	<u><b>6,387</b></u>	<u>4,664</u>
	<b>2021</b> <b>'000</b>	2020 <b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation basic earnings per share	<u><b>873,940</b></u>	<u>800,000</u>

The calculation of basic earnings per share for the years ended 31 March 2021 and 2020 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 shares in issue during the year ended 31 March 2021 has been adjusted for the issue of consideration shares on 20 April 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 2021 and 2020.

## 12. TRADE RECEIVABLES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<b>72,623</b>	78,367
Less: Allowance for ECL on trade receivables, net	<b>(3,215)</b>	(1,771)
	<b>69,408</b>	76,596

### (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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	<b>29,038</b>	20,298
31 to 60 days	<b>10,831</b>	23,848
61 to 90 days	<b>10,811</b>	–
91 to 120 days	<b>3,956</b>	–
121 to 150 days	<b>2,381</b>	12,751
Over 150 days	<b>15,606</b>	21,470
	<b>72,623</b>	78,367

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 annual report.

### (b) Impairment assessment of trade receivables

Net allowance for expected credit losses on trade receivables of approximately HK\$1,400,000 and HK\$522,000 have been recognised to the consolidated profit or loss and other comprehensive income for the year ended 31 March 2021 and 2020 respectively.

### 13. TRADE PAYABLES

	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
Trade payables	<u><b>32,517</b></u>	<u>7,729</u>

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

	<b>2021</b> <b>HK\$'000</b>	2020 <b>HK\$'000</b>
Within 30 days	<b>14,833</b>	7,727
31 to 60 days	<b>6,297</b>	–
61 to 90 days	<b>5,532</b>	2
Over 90 days	<b>5,855</b>	–
	<u><b>32,517</b></u>	<u>7,729</u>

### 14. SHARE CAPITALS

	<b>Number of Share</b>	<b>HK\$'000</b>
<b>Authorised:</b>		
As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
As at 1 April 2019, 31 March 2020 and 1 April 2020	800,000,000	8,000
Issued in consideration for the acquisition of subsidiaries ( <i>note</i> )	<u>78,000,000</u>	<u>780</u>
As at 31 March 2021	<u><b>878,000,000</b></u>	<u><b>8,780</b></u>

*Note:* On 20 April 2020, 78,000,000 shares of HK\$0.01 each of the Company were allotted and issued as fully paid for the acquisition of 51% issued share capital of Meijia Shell (Global) Lubricant Technology Limited at issue price of HK\$0.21 each under the general mandate.

## 15. ACQUISITION OF SUBSIDIARIES

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 (“Meijia Shell”) and its subsidiaries (“Meijia Group”) 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 per Share by the Company to the Vendor. The acquisition was completed on 21 April 2020. Meijia Shell is the legal and beneficial owner of its subsidiary in Hong Kong, which in turn is the 100% legal and beneficial owner of its subsidiaries in Qianhai and the PRC. The subsidiary in the PRC is engaged in the business of research and development, production, sale and distribution of lubricant in the Asia Pacific region. Upon Completion, Meijia Group became a non wholly-owned subsidiary of the Group and the financial results of Meijia Group has been consolidated into the Company’s consolidated financial statements.

### Consideration transferred

	<i>HK\$’000</i>
Equity instruments issued	16,380
Contingent consideration arrangement	<u>(14,201)</u>
Total	<u><u>2,179</u></u>

#### *Note:*

Based on the SPA, the Group is guaranteed by the Vendor that if Meijia Group’ audited net profit after tax in accordance with Hong Kong Financial Reporting Standard for the period from the completion date to 31 March 2021 shall be not less than RMB5 million and shall be not less than RMB10 million for the years ending 31 March 2022 and 31 March 2023.

Acquisition-related costs amounting to approximately HK\$52,000 have been excluded from the consideration transferred and have been recognised as an expenses in the current year, within the “administrative expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$’000</i>
Property, plant and equipment	1
Inventories	1,912
Trade receivable	3,246
Prepayment and other receivables	2,999
Cash and bank balances	503
Tax recoverable	197
Contract liabilities	(3,217)
Trade payables	(4,138)
Accruals and other payables	<u>(1,239)</u>
	<u><u>264</u></u>

The fair values and gross contractual amount of trade receivable and other receivables as at the date of acquisition amounted to approximately HK\$3,246,000 and HK\$398,000 respectively. No trade receivable and other receivables were expected to be uncollectible.

### **Non-controlling interests**

The non-controlling interests (49%) in Meijia Group recognised at the acquisition date was measured by reference to the proportionate share of identifiable net assets acquired and approximately amounted to HK\$129,000.

### **Goodwill arising on acquisition:**

	<i>HK\$'000</i>
Consideration transferred	2,179
Plus: non-controlling interest (49% in Meijia Group)	129
Less: recognised amounts of net assets acquired	<u>(264)</u>
Goodwill arising on acquisition	<u><u>2,044</u></u>

The goodwill arising on the acquisition of Meijia Group is attributable to the future growth and profitability expected to arise from the business combination. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

### **Net cash inflow on acquisition of Meijia Group:**

	<i>HK\$'000</i>
Cash consideration paid	–
Add: cash and cash equivalent balances acquired	<u>503</u>
	<u><u>503</u></u>

### **Impact of acquisition on the results of the Group**

Included in the profit for the year is approximately HK\$765,000 attributable to the additional business generated by Meijia Group. Revenue for the year includes approximately HK\$13,583,000 generated from Meijia Group.

Had the acquisition been completed on 1 April 2020, total revenue for the year would have been approximately HK\$14,021,000, and profit for the year would have been approximately HK\$781,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2020, nor is it intended to be a projection of future results.

## 16. EVENT AFTER THE REPORTING PERIOD

- (a) On 11 June 2021, Eastern Champion Investment Limited (the “**Purchaser**”), a wholly owned subsidiary of the Company, and Ms. Li Loretta Shui Wah (the “**Vendor**”) entered into the agreement for sale and purchase in respect of the acquisition of the Property (as defined below) by the Company (the “**Agreement**”) pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell office 4, 6/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong (the “**Property**”), at an aggregate consideration of HK\$21,000,000 (the “**Consideration**”).

Pursuant to the Agreement, the Consideration shall be paid by the Company by way of (i) the cash of HK\$9,820,000 which shall be paid in full on completion to the Vendor; and (ii) the allotment and issuance of the 130,000,000 new Shares (equivalent to approximately HK\$11,180,000) at the issue price of HK\$0.086 per Share, credited as fully paid, for the purpose of settling the Consideration, to Mr. Li Fat Sang. For detail, please refer to the announcement dated on 16 June 2021.

- (b) On 11 June 2021 (after trading hours), the Company and the Vendors entered into the memorandum of understanding in relation to the Possible Acquisition of equity interest of the Target Company. The Target Group is principally engaged in the business of technical services support and consultation on lubricant, production and sales and distribution of lubricant, grease and other related products. For details, please refer to the announcement dated 11 June 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group principally carries on the business of sale and transportation of diesel oil and related products and other products in Hong Kong and the People's Republic of China (the "PRC"). 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 nine diesel tank wagons of various capacity and a marine oil barge as at 31 March 2021. The Group is also engaged in the business of manufacturing and sale of steel products in the PRC.

On 23 March 2020, the Group entered into a sale and purchase agreement to conditionally acquire 51% equity interest in Meijia Shell (Global) Lubricant Technology Limited which is principally engaged in the sale and distribution of lubricant oil in the PRC. The acquisition was completed on 21 April 2020. Hence, the financial statements of Meijia Shell (Global) Lubricant Technology Limited had been included in the audited consolidated financial statements of the Group for the year ended 31 March 2021.

#### **Sale and transportation of diesel oil and related products business**

The Group recorded a revenue of approximately HK\$371.3 million from the sale and transportation of diesel oil and related products for the year ended 31 March 2021, representing approximately 84.7% of the Group's total revenue and an increase of approximately HK\$43.2 million or 13.2% as compared to the year ended 31 March 2020. The increase was mainly due to (i) the acquisition of Meijia Shell (Global) Lubricant Technology Limited, which is principally engaged in the sale and distribution of lubricant oil in the PRC and (ii) the increase in demand of marine diesel oil in Hong Kong.

#### **Sale of steel product business**

The Group recorded a revenue of approximately HK\$66.9 million from the sale of steel products for the year ended 31 March 2021, representing approximately 15.3% of the Group's total revenue, a decrease of approximately HK\$44.3 million or 39.9% as compared to the year ended 31 March 2020. The decrease was mainly due to the challenging economic environment, strict customer selection and credit control policy implemented by the Group on the sale of steel product business, revenue from the sale of the steel product was mainly generated from sales to renowned valuable customers with strong financial position.

Meanwhile, the Group has executed strict control on costs and expenses. The Group recorded a net profit of approximately HK\$5.5 million for the year ended 31 March 2021. The increase in the net profit was mainly attributable to the increase in the sale and transportation of diesel oil business; which was offset by the decrease in the sale of steel products and the increase in fair value change on contingent consideration receivable for the year ended 31 March 2021.

Excluding the fair value change on contingent consideration receivables and payables, and the impairment loss recognised in respect of goodwill, the net profit would have been approximately HK\$0.4 million and approximately HK\$0.9 million for the year ended 31 March 2021 and 2020, respectively, representing a decrease of approximately HK\$0.5 million or 55.6% as compared to the year ended 31 March 2020.

## 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 annual report of the Company issued in 2019, 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 2021:

	Planned use of total Net Proceeds <i>HK\$ million</i>	Approximate percentage of total Net Proceeds <i>%</i>	Actual use of Net Proceeds up to 31 March 2021 <i>HK\$ million</i>	Unused total Net Proceeds up to 31 March 2021 <i>HK\$ million</i>	Expected timeframe for the remaining utilising net proceeds ( <i>Note 6</i> )
Purchase of diesel tank wagons ( <i>Note 1</i> )	7.8	17.3%	5.0	2.8	By 31 March 2022
Purchase of marine diesel oil barge ( <i>Note 2</i> )	14.0	31.0%	8.5	5.5	By 31 March 2022
Further strengthen our manpower ( <i>Note 3</i> )	6.1	13.6%	2.9	3.2	By 31 March 2022
Upgrade of our information technology systems ( <i>Note 4</i> )	3.6	7.9%	0.5	3.1	By 31 March 2022
Working capital necessary for the operation of the new diesel tank wagons and marine bunkering business ( <i>Note 5</i> )	9.1	20.2%	9.1	–	–
Working capital	4.5	10.0%	4.5	–	
<b>Total</b>	<b>45.1</b>	<b>100.0%</b>	<b>30.5</b>	<b>14.6</b>	



*Notes:*

1. Three new diesel tank wagons had been purchased and two existing diesel tank wagons had been replaced up to 31 March 2021.
2. Marine diesel oil barge had been delivered in November 2017 and has commenced full operation in July 2018.
3. The Group has been actively involved in the recruitment and selection of suitable candidates through various means including job advertisements in major newspapers.
4. The Group was still in negotiation with the potential suppliers on the requirements and specification of the new office administrative information technology systems.
5. The Group contracted with a service company to operate the marine bunkering business.
6. 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 decreased by approximately HK\$1.1 million or approximately 0.3% from approximately HK\$439.3 million for the year ended 31 March 2020 to approximately HK\$438.2 million for the year ended 31 March 2021.

Revenue from the sale of diesel oil, marine diesel oil and lubricant oil amounted to approximately HK\$293.7 million, HK\$63.1 million and HK\$9.2 million, representing approximately 67.0%, 14.4% and 2.1%, respectively, of the Group's total revenue for the year ended 31 March 2021. For the year ended 31 March 2020, the 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. Sale of diesel oil remained the largest contributor to the Group's revenue. The increase was mainly due to the increase in demand from construction customers and logistic customers.

Revenue from the sale of steel products business amounted to approximately HK\$66.9 million, representing approximately 15.3% of the Group's total revenue (2020: HK\$111.2 million). The decrease was mainly due to the challenging economic environment, strict customer selection and credit control policy implemented by the Group.

The decrease in the Group's revenue was primarily due to the increase in the Group's sale of diesel oil and related products, but offset by the decrease of the sale of steel products.

## **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 2021, the Group's cost of sales was approximately HK\$410.1 million, representing a decrease of approximately 1.3% from approximately HK\$415.5 million for the year ended 31 March 2020.

## **Gross profit and gross profit margin**

The gross profit represented the Group's revenue less cost of sales. The Group's gross profit increased by approximately HK\$4.3 million from approximately HK\$23.8 million for the year ended 31 March 2020 to approximately HK\$28.1 million for the year ended 31 March 2021. The Group's gross profit margin increased from approximately 5.4% for the year ended 31 March 2020 to approximately 6.4% for the year ended 31 March 2021. The increase in gross profit was mainly due to the decrease in our cost of sales for the year ended 31 March 2021.

## **Fair value change on contingent consideration receivable**

Pursuant to the sale and purchase agreement (the "SPA") in relation to the acquisition of Meijia Shell (Global) Lubricant Technology Limited and its subsidiaries ("Meijia Group"), the Vendors have given a guarantee to the Group that the audited consolidated net profit after tax of Meijia Group for the three financial years ending 31 March 2021, 31 March 2022 and 31 March 2023 (each of the "Guaranteed Period") would be no less than RMB5,000,000, RMB10,000,000 and RMB10,000,000 (the "Guaranteed Sum") for each of the Guaranteed Period (the "Profit Guarantee").

In case the Profit Guarantee is not fulfilled for the corresponding period/year, the Vendors shall pay of the difference between the Guaranteed Sum and the actual audited consolidated net profit after tax of Meijia Group (the "Shortfall") to the Group. During the year ended 31 March 2021, the actual audited consolidated net profit after tax of Meijia Group did not satisfy the Profit Guarantee. Hence, the Vendors are required to pay the Shortfall to the Group in accordance with the terms and condition stated in the SPA. The Group recognised approximately HK\$1.2 million for the year ended 31 March 2021.

## **Profit for the year**

As a result of the foregoing, the Group recognised net profit of approximately HK\$5.5 million and approximately HK\$4.5 million for the year ended 31 March 2021 and 2020, respectively, representing an increase of approximately HK\$1.0 million as compared with the year ended 31 March 2020, and the Group's net profit margin increased from approximately 1.0% to approximately 1.2% during the same period. The increase in the net profit and net profit margin for the year ended 31 March 2021 was mainly due to the increase in the sale and transportation of diesel oil business which was offset by the decrease in the sale of steel products and the increase in fair value change on contingent consideration receivable, for the year ended 31 March 2021. Excluding the fair value change on contingent consideration receivable and payables, the net profit would have been HK\$0.4 million and HK\$0.9 million for the year ended 31 March 2021 and 2020 respectively, representing a decrease of approximately HK\$0.5 million or 55.6% compared to the year ended 31 March 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Financial Resources and Liquidity**

The Group finances its operations through cash generated from operating activities and interest-bearing bank borrowings. The Group recorded net current assets of approximately HK\$72.7 million as at 31 March 2021.

As at 31 March 2021, the Group's current assets amounted to approximately HK\$154.7 million (2020: HK\$118.7 million) and the Group's current liabilities amounted to approximately HK\$82.0 million (2020: HK\$36.8 million). Current ratio was approximately 1.9 as at 31 March 2021 (2020: 3.2). 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**

As at 31 March 2021, the maximum limit of the banking facilities available to the Group amounted to approximately HK\$65.0 million (2020: HK\$65.0 million) and approximately HK\$21.3 million (2020: HK\$16.1 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 range from 5.7% to 6.6% and at fixed interest rate at ranged from 4.8% to 20.4% per annum for the year ended 31 March 2021. For the year ended 31 March 2020, all the bank borrowings were interest-bearing which carried variable interest rate ranging from 3.57% to 4.88% and 2.76% to 3.97% per annum. As at 31 March 2021, the bank borrowings of the Group were secured by the corporate guarantee, fixed deposits and life insurance policy of the Group.

Gearing ratio was approximately 23.4% as at 31 March 2021 which was calculated based on the total debt at the end of the year divided by total equity at the end of the year (2020: 23.6%).

## CAPITAL STRUCTURE

For the year ended 31 March 2021, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$119.5 million (2020: HK\$91.8 million). The share capital of the Group only comprises of ordinary shares.

The Shares were listed on GEM of the Stock Exchange on 12 April 2017 (the “**Listing Date**”). On 21 April 2020, 78,000,000 consideration shares of HK\$0.01 each of the Company were allotted and issued as fully paid for the Vendor (as defined below) at the price of HK\$0.21 each under the general mandate. For further details, please refer to the announcement of the Company dated 21 April 2020. There has been no change in the capital structure of the Group since then, save as disclosed below.

## 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 lubricant oil and steel products 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 2021.

## 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 2021. 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 23 March 2020, the Company and Mr. Zhu Yixiang and Mr. Li Weinian (collectively, the “**Vendor**”) entered into the sale and purchase agreement, 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 2021, the Group did not have any significant investments, material acquisitions nor disposals of subsidiaries and affiliated companies, save as disclosed from above of this announcement.

## **FINANCIAL ASSETS THROUGH PROFIT AND LOSS**

As at 31 March 2021, the Group had HK\$4.8 million of key management personnel life insurance with an insurance company. During the year ended 31 March 2021, the Group disposed all equity of a company listed in Bursa Malaysia Berhad and recorded a net realised gain of approximately HK\$0.4 million.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 March 2021, save as disclosed 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 (2020: Nil).

## **DIVIDENDS**

The Directors do not recommend a payment of any dividend for the year ended 31 March 2021.

## **PLEDGE OF ASSETS**

As at 31 March 2021, the Group’s pledged short-term bank deposits in the amount of HK\$12.2 million and life insurance policy in the amount of HK\$4.8 million were pledged as security for the Group’s banking facilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2021, the Group had a total of 58 employees (53 employees as at 31 March 2020) including the Directors. For the year ended 31 March 2021, total staff costs amounted to approximately HK\$12.8 million (year ended 31 March 2020: approximately HK\$10.3 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**

- (a) On 11 June 2021, Eastern Champion Investment Limited (the “**Purchaser**”), a wholly owned subsidiary of the Company, and Ms. Li Loretta Shui Wah (the “**Vendor**”) entered into the agreement for sale and purchase in respect of the acquisition of the Property (as defined below) by the Company (the “**Agreement**”) pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell office 4, 6/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong (the “**Property**”), at an aggregate consideration of HK\$21,000,000 (the “**Consideration**”).

Pursuant to the Agreement, the Consideration shall be paid by the Company by way of (i) the cash of HK\$9,820,000 which shall be paid in full on completion to the Vendor; and (ii) the allotment and issuance of the 130,000,000 new Shares (equivalent to approximately HK\$11,180,000) at the issue price of HK\$0.086 per Share, credited as fully paid, for the purpose of settling the Consideration, to Mr. Li Fat Sang. Please refer to the announcement of the Company dated 16 June 2021 for details.

- (b) On 11 June 2021 (after trading hours), the Company and the Vendors entered into the memorandum of understanding in relation to the Possible Acquisition of equity interest of the Target Company. The Target Group is principally engaged in the business of technical services support and consultation on lubricant, production and sales and distribution of lubricant, grease and other related products. For details, please refer to the announcement dated 11 June 2021.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year ended 31 March 2021 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 2021 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 2021. The final results announcement of the Group for the year ended 31 March 2021 has been reviewed by the Audit Committee.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Up to 31 March 2021 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 2021, and there was no share option outstanding as at 31 March 2021. Therefore, the Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 80,000,000 Shares from time to time) to the participants under the share option scheme.

## **CORPORATE GOVERNANCE PRACTICE**

The Board is committed to establish and ensure high standards of corporate governance and adopt sound corporate governance practices so as to achieve effective accountability. 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 2021, 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 Wednesday, 18 August 2021, 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 Friday, 13 August 2021 to Wednesday, 18 August 2021, 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 Thursday, 12 August 2021.

## **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 and Executive Director*

Hong Kong, 25 June 2021

*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](http://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](http://www.f8.com.hk).*