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RPC 瑞豐石化

Ruifeng Petroleum Chemical Holdings Limited
瑞豐石化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

MEMORANDUM OF UNDERSTANDING RELATING TO A POSSIBLE ACQUISITION AND RESTRUCTURING OF THE GROUP

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Further to the Company's announcement dated 16 January 2015 in relation to, among others, the progress on the restructuring of the Group, the Board is pleased to announce that to facilitate and as part of the resumption plan of the Company and in order to explore a new income stream for the Group, Company has entered into the MOU with the Vendor for the possible acquisition of the Target Group.

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The Principal terms of the MOU are set out below.

THE MOU

Date:

30 March 2015

Parties:

Vendor: China Satellite Broadcast Co. Ltd.

Purchaser: the Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Principal terms of the MOU

1. *Subject matter of the MOU*

Pursuant to the MOU, the Vendor intends to sell, and the Company intends to purchase the entire issued share capital of the Target Company.

2. *Consideration and payment*

The Consideration was preliminarily agreed to be HK\$544,660,941, which was determined with reference to 84% of the estimated valuation of the Target Company of RMB511,360,037 (equivalent to approximately HK\$648,404,565) based on discounted cashflow method.

The Consideration shall be satisfied in the following manner:

- (i) HK\$101,660,009 shall be satisfied by the issuance of 924,181,900 Consideration Shares by the Company at an issue price of HK\$0.11 per Consideration Share; and
- (ii) HK\$443,000,932 shall be satisfied by the issuance of the Convertible Bonds in the principal amount of HK\$443,000,932, which are convertible into Conversion Shares at the initial conversion price of HK\$0.11 per Conversion Share. Terms of the Convertible Bonds shall be agreed by the Company and the Vendor in the Formal Agreement.

3. *Company's due diligence review*

The Company shall procure its advisers or agents to conduct the Due Diligence Review on the Target Group's assets, liabilities, legal, finance, operation, matters and other aspects which the Company reasonably considers appropriate. The Vendor shall provide and procure the Target Group and its agents to provide necessary assistance to the Company and its advisers as well as agents in respect of the Due Diligence Review so that the Due Diligence Review can be completed not later than 45 days from the date of the MOU (or such other later date as may be agreed between the Company and the Vendor).

4. *Exclusivity*

In consideration of the costs incurred or to be incurred by the Company during the course of negotiation of the MOU and the Due Diligence Review, the Vendor will not and will procure the Target Company, Beijing Zhongxing and their respective directors, staff, employees, representatives and agents not to directly or indirectly negotiate with any parties (save and except for the Company).

5. *Formal Agreement*

After the signing of the MOU, the parties shall further negotiate on the relevant terms and conditions of the Proposed Acquisition with the aim of entering into the Formal Agreement within 45 days from the date of the MOU.

The Formal Agreement shall specify the rights to conduct further due diligence review and the rights and obligations of the parties with the inclusion of the following conditions precedent:

- (1) the Company being satisfied with the results of the Due Diligence Review;
- (2) the Company and the Vendor having obtained all the necessary consents and approvals for the sale and purchase of the Target Shares and in connection with the Proposed Acquisition;
- (3) the Target Group having obtained all the necessary consent and approval for the Proposed Acquisition;

- (4) the Company and Foshan Ruifeng having completed the disposal of the assets of and debts due by Foshan Ruifeng;
- (5) all conditions precedent in the Director's Debt Capitalisation Agreements (in form and substance satisfactory to the Vendor) having been satisfied (other than the condition precedent that all the conditions precedents in the Formal Agreement having been satisfied);
- (6) all conditions precedent in the Promissory Note Restructuring Agreements (in form and substance satisfactory to the Vendor) having been satisfied (other than the condition precedent that all the conditions precedents in the Formal Agreement having been satisfied);
- (7) all the conditions precedent in the Fund Raising Agreement (in form and substance satisfactory to the Vendor) having been satisfied (other than the condition precedent that all the conditions precedents in the Formal Agreement having been satisfied);
- (8) the valuation report on the Target Group adopting discounted cashflow method for valuation (in form and substance satisfactory to the Company) from a firm of valuers appointed by the Company having been obtained;
- (9) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Formal Agreement and the transactions contemplated thereunder;
- (10) the Listing Committee of the Stock Exchange granting the listing approval for the Consideration Shares and the Conversion Shares;
- (11) the PRC legal opinion (in form and substance satisfactory to the Company) to be issued by a firm of legal advisers in the PRC appointed by the Company in respect of the legality and the feasibility of the formation, continuous existence and variable investment equity structure of Beijing Zhongxing having been obtained;
- (12) the Stock Exchange having granted an approval-in-principal in respect of the resumption in trading in the Shares on GEM; and
- (13) any other conditions precedent to be agreed by the Company and the Vendor.

In addition to the above conditions precedent, the Formal Agreement shall also include the following terms:

- (1) the Vendor warrants to the Company that the aggregated audited consolidated net profit of the Target Group attributable to its shareholders for the two years ended 31 December 2012 and 31 December 2013 shall not be less than HK\$20,000,000 and that the aggregated net cash inflow for these two years shall not be less than HK\$20,000,000;
- (2) the Vendor warrants the Company that the audited consolidated net profits after tax of the Target Group attributable to its shareholders for the year ended 31 December 2014 shall not be not less than HK\$10,000,000;
- (3) provision of a forecast by the Vendor to the Company showing that the forecasted audited consolidated net profits of the Target Group after tax attributable to its shareholders for each of the years ending 31 December 2015 and 31 December 2016 will not be less than the same for the year ended 31 December 2014;
- (4) the Company will use its best endeavours to discuss, formalise and enter into the Foshan Ruifeng Disposal Agreement, the Directors' Loan Capitalisation Agreements, the Promissory Notes Restructuring Agreements and the Fund Raising Agreement with the relevant parties. The Company also agrees to use its best endeavours to comply with the Foshan Ruifeng Disposal Agreement, the Directors' Loan Capitalisation Agreements, the Promissory Notes Restructuring Agreements and the Fund Raising Agreement; and
- (5) any other terms and conditions to be agreed by the Company and the Vendor.

If the Formal Agreement is not signed within 45 days (or such other later date as agreed by the Company and the Vendor) from the date of the MOU, the MOU shall cease and determine and no party of the MOU shall have further obligation or rights, save for any antecedent breach of the MOU.

6. *Legal Effect*

The MOU is non-legally binding save for the provisions set out therein relating to the Consideration, the Due Diligence Review, exclusivity, confidentiality, notices, fees arrangement, legal effect, counterparts and applicable laws.

Information of the Target Group

The Target Group is principally engaged in (i) satellite communications network operation, satellite system integration and related communications software development; and (ii) micro mobile office system (document sharing, telephone and teleconferencing and interpretation). On satellite communication platform, the Target Company controls Beijing Zhongxing through a variable interest equity structure. Beijing Zhongxing holds the very small aperture terminal satellite communication operations licence.

Reasons for and benefits of the Proposed Acquisition

As part of the resumption plan of the Company, the Proposed Acquisition will allow the Group enter into a new business arena and open up a new income stream to the Group. It is currently expected that the resumption proposal for the restructuring of the Group will involve, among others, fund raising activities, disposal of Foshan Ruifeng, the transactions under the Director's Debt Capitalisation Agreements and the Promissory Notes Restructuring Agreements and capitalisation of other indebtedness of the Group.

The Company is in active negotiation with the Vendor and other relating parties in order to finalise the major terms of the resumption proposal of the Company for submission to the Stock Exchange for approval.

General

Further announcement(s) will be made by the Company when there is any further material development on the Proposed Acquisition and timely action will be taken to comply with the disclosure/approval requirements under the GEM Listing Rules.

The Proposed Acquisition is subject to the execution of the Formal Agreement finalising terms and conditions of the Proposed Acquisition and the parties' rights and obligations thereunder. Therefore, the Proposed Acquisition may or may not be consummated, and Shareholders and potential investors of the Company shall exercise caution when dealing in the Shares.

As disclosed in the announcements of the Company dated 2 April 2013 and 25 September 2013, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 2 April 2013 until the resumption conditions of the Stock Exchange as stipulated in the 25 September 2013 announcement are satisfied. Trading of the Shares will remain suspended until further notice.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Beijing Zhongxing”	北京中星博遠信息技術有限公司 (Beijing Zhongxing Boyuan Information Technology Company Limited*), a company established in the PRC
“Board”	the board of Directors
“Company”	Ruifeng Petroleum Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration payable by the Company for the Proposed Acquisition
“Consideration Share(s)”	Share(s) that may be issued by the Company for partial settlement of the Consideration
“Conversion Share(s)”	Share(s) that may be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
“Convertible Bonds”	convertible bonds that may be issued by the Company for partial settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Director’s Debt Capitalisation Agreements”	the agreement(s) to be entered into between the Company and certain Directors in relation to the capitalisation of the loans due from the Company to such Directors
“Due Diligence Review”	a due diligence review to be conducted on the Target Group by the Company

“Formal Agreement”	a formal sale and purchase agreement to be entered into by the Vendor and the Company, or by the transaction vehicles nominated by them, finalising the terms of the Proposed Acquisition and the rights and obligations of the parties thereunder
“Foshan Ruifeng”	Foshan Ruifeng Petroleum and Chemical Fuel Company Ltd., a wholly-owned subsidiary of the Company (please refer to the announcement of the Company dated 19 September 2014 on the deconsolidation of Foshan Ruifeng and its subsidiaries)
“Foshan Ruifeng Disposal Agreement”	the agreement to be entered into by the Company with potential buyer, if any, in respect of the proposed disposal of Foshan Ruifeng
“Fund Raising Agreement”	the agreement to be entered into by the Company for the purpose of raising fund by the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party and its ultimate beneficial owner(s), if applicable, which are independent of the Company and its connected persons
“MOU”	the memorandum of understanding entered into by the Vendor and the Company on 30 March 2015 in relation to the Proposed Acquisition
“PRC”	People’s Republic of China
“Promissory Notes Restructuring Agreements”	the agreement(s) to be entered into by the Company with respective holders of promissory notes in relation to the proposed restructuring of the promissory notes issued by the Company in favour of 南方石化集團有限公司 (Southern Petrochemical Group Company Limited*) and 徐子明 (Xu Ziming*) in the amounts of RMB265,498,000 and RMB140,000,000, respectively

“Proposed Acquisition”	a proposed acquisition by the Company of the entire issued share capital of the Target Company from the Vendor
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Kuanting Holdings Limited, a company incorporated in the British Virgin Islands which controls Beijing Zhongxin through a variable interest equity structure
“Target Group”	the Target Company, Kuanting International Limited and Beijing Zhongxing
“Target Shares”	all the issued share capital in the Target Company, being the subject of the Proposed Acquisition
“Vendor”	China Satellite Broadcast Co. Ltd., a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

* *for illustrative purpose only*

By Order of the Board
Ruifeng Petroleum Chemical Holdings Limited
Chan Wai Lun, Anthony
Chairman

Hong Kong, 1 April 2015

As at the date of this announcement, the executive Directors are Mr. Chan Wai Lun, Anthony (Chairman) and Mr. Yue Wai Keung (Chief Executive Officer); the non-executive Director is Mr. Chan Kwan Pak; and the independent non-executive Directors are Dr. Chen Tzyh-Trong and Dr. Lee Chung Mong.

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 enquires, 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 “Latest Company Announcements” page of the GEM Website at www.hkgem.com for a minimum period of seven days from the day of its publication and on the website of the Company at www.ruifengholdings.com.