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FORMATION OF A JOINT VENTURE COMPANY

On 7 November 2013, a wholly-owned subsidiary of the Company, Hoifu Int'l Trading entered into the JV Agreement with Profit High International Enterprise Limited, a wholly-owned subsidiary of Yuchai Machinery Group, for the establishment of the JV Company in BVI for pursuing international investment business.

THE JV AGREEMENT

The principal terms of the JV Agreement are summarised as follows:

Date

7 November 2013

Parties

- (1) Hoifu Int'l Trading; and
- (2) Profit High International Enterprise Limited, a wholly-owned subsidiary of Yuchai Machinery Group

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Profit High International Enterprise Limited and its ultimate beneficial owner are Independent Third Parties.

Formation of the JV Company and term of joint venture

The JV Company shall be owned by Hoifu Int'l Trading as to 51% and Profit High International Enterprise Limited as to 49% and therefore becomes a subsidiary of the Company.

The term of the joint venture shall be 15 years from the date on which the business licence is granted to the JV Company.

Scope of business

The scope of business of the JV Company will be investment holding.

The businesses of the Project Company(ies) will comprise investment and sales of engines, machinery equipment, special vehicles, parts and energy and petrochemical business.

Total capital commitment and registered capital

The total registered capital of the JV Company is US\$3,000,000 which shall be contributed as to 51% (US\$1,530,000) by Hoifu Int'l Trading and as to 49% (US\$1,470,000) by Profit High International Enterprise Limited. Capital contributions shall be made in cash by the Parties.

The registered capital required to be paid up by Hoifu Int'l Trading will be funded by internal resources of the Group.

The board of directors

The board of directors of the JV Company shall consist of five directors of which three (including the chairman) shall be nominated by Hoifu Int'l Trading and two shall be nominated by Profit High International Enterprise Limited.

Profit sharing of the JV Company

The profit or loss sharing of the JV Company shall be determined in accordance with the proportion of the respective shareholdings of Hoifu Int'l Trading and Profit High International Enterprise Limited in the JV Company.

INFORMATION OF THE PARTIES

The Company is an investment holding company and the Group is principally engaged in the provision of financial services (including stock broking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and corporate finance advisory services) and oil and gas exploration and production.

Hoifu Int'l Trading is a company incorporated in BVI and a wholly-owned subsidiary of the Company. It is principally engaged in trading natural resources and petrochemicals.

JV Partner is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yuchai Machinery Group. Yuchai Machinery Group is a conglomerate which ranked 226 among China's top 500 enterprises. Principal business sectors of Yuchai Machinery Group cover (i) engines; (ii) construction machineries; (iii) energy and petrochemicals; (iv) logistics and vehicles trading; (v) automobile parts; and (vi) special vehicles.

Yuchai Machinery Group is the holding company of Yuchai Machinery. Yuchai Machinery is the largest independent diesel engine manufacturer in the PRC which generates annual revenue of over RMB20 billion and annual engine sales volume of 550,000 units. Yuchai Machinery manufactures a variety of heavy-duty diesel and gas engines for use in vehicles, ships, construction machinery, agricultural machinery and electricity generating equipment.

It has production bases in various areas, such as Fujian, Jiangsu, Anhui and Shandong. It also has an extensive sales and services network comprising 45 domestic and overseas offices, 3,000 service outlets, 95 overseas services agents and over 4,500 sales outlets for parts. Apart from sales in the PRC, products of Yuchai Machinery also reach out to Asia, Europe, America, Africa and Oceania with products sold to over 180 countries and regions.

REASONS FOR AND BENEFITS OF FORMING THE JV COMPANY

The Group has been constantly seeking opportunities to expand and venture into industry with growth potential. The JV Agreement was entered into by the Group to establish long term cooperative efforts with the JV Partner for jointly exploring opportunities of prospective business development projects. Yuchai Machinery Group, parent company of the JV Partner, has strong financial strength and possesses a diversified business portfolio, as such, the Group considers that it will be provided opportunities to tap into new business areas for business diversification through the JV Group. Having considered that (i) scope of businesses of the JV Group will cover the core business segments of Yuchai Machinery Group; and (ii) the JV Group will be able to leverage on substantial industry experience as well as capital resources and management expertise of the Yuchai Machinery Group in those proposed business areas, the Directors consider that sustainable economic benefits will be generated for the JV Group, thus benefiting the Group. Yuchai Machinery Group values the Group's resources and network in Africa and considers that each Party will be able to collaborate their respective strengths for pursuing Africa-related business development.

The terms of the JV Agreement were agreed upon after arm's length negotiations between the Parties. The Directors, including the independent non-executive Directors, consider that the JV Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Hoifu Energy Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hoifu Int'l Trading”	Hoifu Energy International Trading Co. Ltd., a company incorporated in BVI and a wholly-owned subsidiary of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third parties who are independent of, and not connected with, the Company and its connected persons
“JV Agreement”	the joint venture agreement entered into between Hoifu Int’l Trading and JV Partner in respect of the formation of the JV Company
“JV Company”	China Yuchai Hoifu Energy International Limited (中國玉柴凱富能源國際有限公司), a limited liability company to be incorporated in the BVI pursuant to the JV Agreement
“JV Group”	means the group of companies including the JV Company and the Project Company(ies)
“Profit High International Enterprise Limited” or “JV Partner”	a company incorporated in Hong Kong and an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, Hoifu Int’l Trading and the JV Partner. “Party” means any of them, as the case may be
“PRC”	the People’s Republic of China
“Project Company(ies)”	company(ies) to be incorporated which shall become subsidiary(ies) of the JV Company for the purpose of carrying out specific project(s) as identified by Hoifu Int’l Trading and the JV Partner
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, being the lawful currency of the United States of America
“Yuchai Machinery”	廣西玉柴機器股份有限公司 (Guangxi Yuchai Machinery Co., Ltd)

“Yuchai Machinery Group” 廣西玉柴機器集團有限公司 (Guangxi Yuchai Machinery Group Co., Ltd.)

“%” per cent

By Order of the Board
Hoifu Energy Group Limited
Dr. Hui Chi Ming, G.B.S., J.P.
Chairman

Hong Kong, 12 November 2013

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises five executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Lam Kwok Hing and Mr. Nam Kwok Lun; and three independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David.