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## **VARIATION TO TERMS OF THE CAPITAL INJECTION AGREEMENT AND FURTHER DELAY IN DESPATCH OF CIRCULAR**

### **VARIATION TO TERMS OF THE CAPITAL INJECTION AGREEMENT**

On 27 November 2013 (after trading hours), the Company entered into the Second Supplemental Agreement with Guangxi Hoifu Energy, Mr. Ding and Qinzhou Hengyuan to amend certain terms of the Capital Injection Agreement, inter alia, the consideration for the Capital Injection, profit guarantee, capitalization of the existing shareholder's loan and the conditions precedent for completion of the Capital Injection. Details of the amendments are set out in this announcement.

### **FURTHER DELAY IN DESPATCH OF CIRCULAR**

As additional time is required for the preparation of the information for inclusion in the Circular including, but not limited to, the accountants' reports of Qinzhou Hengyuan Group, Guangxi Chenxi and Beihai Tianxiang Group, the unaudited pro forma financial information of the Enlarged Group and the valuations of the property interest of Qinzhou Hengyuan Group, Guangxi Chenxi and Beihai Tianxiang Group, the despatch date of the Circular is expected to be postponed to a date falling on or before 31 December 2013.

References are made to the announcements of the Company dated 3 October 2013, 30 October 2013 and 31 October 2013 in relation to, among other things, the Capital Injection and the Acquisition (the "Announcements"). Unless otherwise stated, capitalized terms used herein shall have the same meanings as ascribed thereto in the Announcements.

## **VARIATION TO TERMS OF THE CAPITAL INJECTION AGREEMENT**

On 27 November 2013 (after trading hours), the Company entered into a supplemental agreement (the “Second Supplemental Agreement”) with Guangxi Hoifu Energy, Mr. Ding and Qinzhou Hengyuan to amend certain terms of the Capital Injection Agreement. Details of the amendments are set out as follows:

### **Consideration**

Pursuant to the Second Supplemental Agreement, the consideration for the Capital Injection of RMB187,300,000 (equivalent to approximately HK\$237,871,000) as stipulated in the Capital Injection Agreement will be reduced to RMB140,000,000 (equivalent to approximately HK\$177,800,000) while the equity interest of Guangxi Hoifu Energy and Mr. Ding in Qinzhou Hengyuan will remain the same as 51% and 49% respectively upon completion of the Capital Injection.

The revised consideration for the Capital Injection was determined after arm’s length negotiations between Guangxi Hoifu Energy and Mr. Ding with reference to the valuation of Qinzhou Hengyuan Group of approximately RMB135,000,000 as at 31 August 2013.

### **Profit guarantee**

Pursuant to the Second Supplemental Agreement, the audited annual turnover and audited annual net profit after tax of Qinzhou Hengyuan Group guaranteed by Mr. Ding shall be revised to being not less than RMB3 billion and RMB30,000,000 respectively for each of the five years on a 12-month rolling basis commencing from the date of completion of the Capital Injection instead of being not less than RMB4 billion and RMB40,000,000 respectively as stipulated in the Capital Injection Agreement. In the event that the audited annual net profit after tax of Qinzhou Hengyuan Group is less than RMB30,000,000, Mr. Ding will pay up in full for any shortfall in the profit on a dollar-for-dollar basis to Qinzhou Hengyuan.

The revised audited annual turnover and audited annual net profit after tax of Qinzhou Hengyuan Group guaranteed by Mr. Ding were determined by the parties to the Capital Injection Agreement on arm’s length basis, taking into account the recent development of Qinzhou Hengyuan Group and the reduced consideration for the Capital Injection.

### **Capitalization of shareholder’s loan**

As at 31 August 2013, the shareholder’s loan due from Qinzhou Hengyuan Group to Mr. Ding amounted to approximately RMB68,000,000. In order to further strengthen the financial position of Qinzhou Hengyuan Group, Mr. Ding agreed to capitalize RMB43,000,000 of the shareholder’s loan in the reserves of Qinzhou Hengyuan.

### **Conditions precedent**

According to the Capital Injection Agreement, one of the conditions precedent for completion of the Capital Injection is Guangxi Hoifu Energy having been satisfied with the result of the valuation on Qinzhou Hengyuan Group to be made by an independent valuer appointed by Guangxi Hoifu Energy and the net asset value of Qinzhou Hengyuan Group

being not less than RMB180,000,000. Having considered the reduction in the consideration for the Capital Injection, the parties to the Capital Injection Agreement agreed to revise the amount of fair value of Qinzhou Hengyuan Group for such condition to RMB135,000,000.

The terms of the Second Supplemental Agreement were determined after arm's length negotiations between the contracting parties. The Directors consider that the terms of the Second Supplemental Agreement are fair and reasonable and the entering into of the Second Supplemental Agreement is in the interests of the Company and the Shareholders as a whole. Save as disclosed above, all other terms and conditions of the Capital Injection Agreement remain unchanged.

#### **FURTHER DELAY IN DESPATCH OF CIRCULAR**

As disclosed in the announcement of the Company dated 30 October 2013, the Company expected to despatch the Circular on or before 29 November 2013. As additional time is required for the preparation of the information for inclusion in the Circular including, but not limited to, the accountants' reports of Qinzhou Hengyuan Group, Guangxi Chenxi and Beihai Tianxiang Group, the unaudited pro forma financial information of the Enlarged Group and the valuations of the property interest of Qinzhou Hengyuan Group, Guangxi Chenxi and Beihai Tianxiang Group, the despatch date of the circular is expected to be postponed to a date falling on or before 31 December 2013.

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

Hong Kong, 27 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.*