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**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
AND
RESUMPTION OF TRADING**

THE ACQUISITION

On 12 January 2014, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendors in respect of the purchase of 70% equity interest in the Target for a total consideration of RMB98.0 million (equivalent to approximately HK\$125.4 million) (subject to adjustment), which will be satisfied by payment of cash upon completion of the Acquisition.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Yuchai Machinery, a substantial shareholder holding 30% of the Target's equity interest, is also a controlling shareholder holding, through its wholly-owned subsidiary, 49% equity interest of a non wholly-owned subsidiary of the Company as at the date of this announcement. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition which is different from other Shareholders and none of the Vendors and their respective associates holds any Share as at the date of this announcement. Therefore, no Shareholders are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, inter alia, further details of the Acquisition and other disclosures required under the Listing Rules is expected to be despatched to the Shareholders on or before 14 March 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 13 January 2014, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 6 February 2014.

THE ACQUISITION

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendors on 12 January 2014 to acquire 70% equity interest in the Target. Details of the Acquisition are set out as follows:

THE AGREEMENT

Date

12 January 2014

Parties to the Agreement

Purchaser: Guangxi Hoifu Energy Limited, a company established under the laws of the PRC and is wholly-owned by the Company.

Vendors: (i) Guangdong Weijing, a company established under the laws of the PRC and is principally engaged in the business of manufacturing and sale of steel products, plastic products and other hardware accessories. As at the date of the Agreement, Guangdong Weijing held 22% equity interest in the Target;

- (ii) Shanghai Dianjin, a company established under the laws of the PRC and is principally engaged in the businesses of investment, sale of mineral products, metal materials, plastic products, construction materials, chemical raw materials and products, machinery and equipment, auto parts, machinery and electrical products, hardware and general merchandise, warehousing, freight forwarding and import and export of merchandises and technologies. As at the date of the Agreement, Shanghai Dianjin held 25% equity interest in the Target; and
- (iii) Zhuji Jingshi, a company established under the laws of the PRC and is principally engaged in the business of investment and provision of investment advisory services. As at the date of the Agreement, Zhuji Jingshi held 23% equity interest in the Target.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Target: Guangxi Yuchai Petrochemical Co., Ltd., a company established under the laws of the PRC.

- Others:
- (i) Yuchai Machinery, a company established under the laws of the PRC and is principally engaged in the business of manufacturing and sale of engines. As at the date of the Agreement, Yuchai Machinery held 30% equity interest in the Target and entered into the Agreement in the capacity of an existing shareholder of the Target. Yuchai Machinery is interested in 49% equity interest of a non-wholly-owned subsidiary of the Company and therefore a connected person of the Company; and
 - (ii) the Company.

Assets to be acquired

The asset to be acquired under the Agreement is 70% equity interest in the Target.

Consideration

The total consideration for the Acquisition is RMB98.0 million (equivalent to approximately HK\$125.4 million) (subject to adjustment), which will be satisfied by the payment of cash upon completion of the Acquisition as to (i) RMB30.8 million (equivalent to approximately

HK\$39.4 million) to Guangdong Weijing; (ii) RMB35.0 million (equivalent to approximately HK\$44.8 million) to Shanghai Dianjin; and (iii) RMB32.2 million (equivalent to approximately HK\$41.2 million) to Zhuji Jingshi. It is anticipated that the cash consideration will be financed by internal resources of the Group and proceeds from fund raising activities including, but not limited to, issue of debt and equity securities, to be carried out by the Company. The Company intends to raise approximately RMB300.0 million to finance the Acquisition and the previously announced acquisitions. The Directors are confident that the Company can complete the proposed fund raising activities and obtain the necessary funding before completion of the Acquisition. However, as at the date hereof, no concrete terms on any fund raising activity have been concluded and the Company will make further announcement on any fund raising activity, if any, in compliance with the relevant requirements under the Listing Rules as and when appropriate. The Board will not approve, and it will advise the Shareholders not to approve, the Acquisition if the Company fails to obtain sufficient funding for the Acquisition before the date of the SGM.

The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendors with reference to the fair value of the net assets of the Target as at 31 December 2013 of approximately RMB140.0 million (equivalent to approximately HK\$179.2 million) valued under asset approach by an independent valuer in the PRC engaged by the Vendors. The original investment cost of the Vendors for their investments in the Target amounted to approximately RMB56.0 million, being 70% of the registered capital of the Target.

Adjustment to the consideration

A valuation of the Target Group with valuation date of 31 December 2013 will be performed by an independent valuer to be engaged by the Purchaser and the Company before completion of the Acquisition. The valuation approach is not specified in the Agreement. The most appropriate valuation approach will be adopted after taking advice from the valuer. The final consideration of the Acquisition will be adjusted to the amount equivalent to 70% of such valuation.

Conditions precedent

Completion of the Acquisition is conditional upon (i) the shareholder(s), other than those required to abstain from voting under the Listing Rules, and board of directors of each of the Purchaser and the Company having approved the transactions contemplated under the Agreement; (ii) the Stock Exchange having approved the transactions contemplated under the Agreement, if applicable; and (iii) the applicable disclosure requirements under the Listing Rules being fulfilled.

Although the completion of due diligence to the satisfaction of the Company is not one of the conditions precedent for the Acquisition, the Directors consider that the interest of the Company can be safeguarded because the Acquisition is conditional upon the approvals of the Board and the Shareholders. In case the due diligence review is not to the satisfaction of the Company, the Directors shall not, and the Board shall advise the Shareholders not to, approve the Acquisition and the Agreement shall be lapsed after the longstop date. To fulfil their fiduciary duties to act in the best interests of the Company, the Directors have appointed an independent auditor to perform the financial due diligence works on the Target Group. Up to the date hereof, no irregularities were noted by the auditor or the Company.

Furthermore, the Group is in the process of selecting a legal adviser to perform the legal due diligence review on the Target Group. The Directors expect that the due diligence review on the Target Group will be completed before the SGM. Meanwhile, Shareholders will be informed by public announcement in the event that any irregularity is noted in the process of due diligence. Given the absolute rights of the Directors and the Shareholders to approve or disapprove the Acquisition at their own discretion, the Directors consider that the Company will not be bounded to complete the Acquisition if the results of the due diligence are not satisfactory and the terms of the Agreement are fair and reasonable.

Completion of the Acquisition shall take place on the date on which all the conditions precedent of the Acquisition having been satisfied. If the conditions shall not have been fulfilled by 30 March 2014 or such later date as the parties to the Agreement may agree in writing, the Agreement shall terminate and of no effect.

Board composition of the Target

Upon completion of the Acquisition, the board of directors of the Target will have seven members, five of which will be nominated by the Purchaser while the remaining two members will be nominated by Yuchai Machinery.

INFORMATION ON THE TARGET GROUP

The Target was established under the laws of the PRC as a limited liability company in 2008 with registered capital of RMB80.0 million. It was owned as to 30% by Yucahi Machinery, 25% by Shanghai Dianjin, 23% by Zhuji Jingshi and 22% by Guangdong Weijing as at the date of the Agreement. Its principal activities are manufacturing and sale of hydrocarbon gas, liquefied petroleum gas, solvent oil, aromatic hydrocarbons and petrochemical products. The Target has a wholly-owned subsidiary, namely 欽州玉柴石化銷售有限公司 (Qinzhou Yuchai Petrochemical Trading Co., Ltd.*), a company established under the laws of the PRC in 2010 and is principally engaged in the business of sale of lubricants and metal materials as well as import and export of merchandises and technologies.

The manufacturing plant of the Target is located at Qinzhou Port Jingu Petrochemical Industrial Park, Guangxi with a total area of approximately 300 mu. It successfully completed the trial production in September 2011 and the manufacturing facilities have an annual production capacity of 60,000 tons of Methyl tert-butyl ether and 200,000 tons of liquefied petroleum gas. In response to the proposed change of national consumption tax policy, which revoked the consumption tax exemption on certain products which were manufactured by the Target Group, with effect from 2013, the Target upgraded its machinery and equipment so as to further increase the product yield and shift the product mix to products with higher added-value and exemption from consumption tax. Since the second half of 2013, the Target has resumed its normal operation and focused on the production of liquefied petroleum gas, xylene and mesitylene. The Target Group has an annual production capacity of 200,000 tons, 60,000 tons and 60,000 tons of liquefied petroleum gas, xylene and mesitylene respectively after the machinery upgrade and re-engineering.

The Target sources its raw materials, mainly mixed hydrocarbon four and etherized hydrocarbon four, from oil companies in Guangxi and overseas and its major customers are dealers located at Guangxi, western part of Guangdong and southwestern part of the PRC.

The Target Group is also developing its sales network in Guangzhou, Maoming, Zhuhai, Yunnan, Guizhou, Shenzhen, Nanning, Zhuzhou and Chongqing through Qinzhou Yuchai Petrochemical Trading Co., Ltd. to expand its customer base. Currently, the Target Group has approximately 190 employees, of which 8 are members of the management team. It is expected that the existing management team will continue to participate in the business operation of the Target Group after completion of the Acquisition.

Based on the unaudited consolidated management accounts of the Target, which have been prepared in accordance with accounting principles generally accepted in the PRC, the financial information of the Target Group is summarized as follows:

	For the year ended	
	31 December	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1,600,851	1,728,128
Net (loss)/profit before taxation	(14,951)	102,069
Net (loss)/profit after taxation	<u>(15,895)</u>	<u>81,587</u>
		As at
		31 December
		2013
		<i>RMB'000</i>
Total assets		767,706
Total liabilities		<u>(603,194)</u>
Net assets		<u><u>164,512</u></u>

For the year ended 31 December 2013, the turnover of the Target Group amounted to approximately RMB1,600.9 million, representing a decrease of approximately 7.4% as compared to that of last year. The decrease in turnover was mainly attributable to the production halt of the Target Group for machinery upgrade and process re-engineering in the first quarter of 2013. Furthermore, the major raw material supplier of the Target Group carried out large-scale maintenance works in the second quarter of 2013 and thus suspended its supply of raw materials to the Target Group during that period. As a result, the Target Group had very limited production in the first half of 2013.

The Target Group recorded a net loss after taxation of approximately RMB15.9 million for the year ended 31 December 2013 while a net profit after taxation of approximately RMB81.6 million was recorded for the year ended 31 December 2012. Due to the significant reduction in supply of raw materials from its major supplier, the Target Group's production decreased substantially in 2013. The machinery of the Target Group was under-utilized and thus the production efficiency and cost effectiveness decreased significantly. Besides, the gross profit margin of the Target Group was further eroded by the consumption tax on certain products of the Target Group as a result of the change of national consumption tax policy which took effect from 2013.

In order to improve its performance, the Target Group has shifted its product mix to products with higher added-value and exemption from consumption tax since the second half of 2013. The Target Group intended to continue such business development strategy in the foreseeable future. Meanwhile, in order to secure a stable supply of raw materials for its production and reduce the risk of over-reliance on a single supplier, the Target Group is actively exploring new sources of raw material supply, including overseas suppliers. The management of the Target Group believes that such measures can help increasing the Target Group's machine utilization rate and improve its gross profit margin. The management of the Target Group also considered, and the Directors concurred with its view, that the deterioration in the Target Group's financial performance is temporary only and the situation could be rectified and improved in the near future after the implementation of the abovementioned measures and strategies.

As at 31 December 2013, the Target Group had total assets of approximately RMB767.7 million, of which approximately RMB243.2 million were property, plant and equipment, approximately RMB34.6 million were intangible assets, approximately RMB69.0 million were inventories, approximately RMB174.3 million were trade and bill receivables, approximately RMB164.1 million were other receivables and prepayments and approximately RMB15.7 million were bank and cash balances. As at 31 December 2013, the Target Group had total liabilities of approximately RMB603.2 million, which mainly included borrowings of approximately RMB427.0 million, trade payables of approximately RMB46.4 million and other payables and accruals of approximately RMB126.2 million.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in the provision of financial services (including stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and provision of corporate finance advisory services), oil and gas exploration and production and trading of natural resources and petrochemicals. Upon completion of the Acquisition, the Target will become a subsidiary of the Company and its results will be consolidated into the Group's accounts.

While having no present intentions to scale down or terminate its existing financial and brokerage business and exploration and production of natural resources business, the Group has taken active measures to expedite its development of petrochemical business with the aim of further improving its performance. The Directors consider that the Acquisition is in line with the strategic development of the Group to expand its business into the petrochemical industry and it shall create synergy effect with the Group's proposed investments in other petrochemical projects in Guangxi by sharing the procurement, logistics and sales channels and establishing the presence and brand name of the Group as one of the petrochemical manufacturers and traders of high quality petrochemical products in Guangxi. Although the Group's proposed investments are closely related to each other and the realization of the expected synergy effect to be brought by other proposed investments will be impeded if the Group's proposed investments in other petrochemical projects in Guangxi do not progress as expected, the Directors are of the view that all the proposed investments in Guangxi are independent of each other and the successfulness of the other proposed investments in Guangxi would not affect the Group's investment plan on the Target Group. Furthermore, the Directors believe that the Acquisition will not only broaden the income

source of the Group but will also enhance the turnover and profit of the Group and bring long-term and strategic benefits to the Group in the future. The Directors are of the opinion that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Yuchai Machinery, a substantial shareholder holding 30% of the Target's equity interest, is also a controlling shareholder holding, through its wholly-owned subsidiary, 49% equity interest of a non-wholly-owned subsidiary of the Company as at the date of this announcement. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules although Yuchai Machinery is neither being one of the Vendors nor having any material interest in the Acquisition.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition which is different from other Shareholders and none of the Vendors and their respective associates holds any Share as at the date of this announcement. Therefore, no Shareholders are required to abstain from voting at the SGM to approve the Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, inter alia, further details of the Acquisition and other disclosures required under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 March 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 13 January 2014, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 6 February 2014.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition” the acquisition of 70% equity interest in the Target by the Purchaser in accordance with the terms and conditions of the Agreement

“Agreement”	the sale and purchase agreement dated 12 January 2014 entered into among the Purchaser, the Target, the Vendors, Yuchai Machinery and the Company in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hoifu Energy Group Limited, a company incorporated in Bermuda with limited liability, the 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)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Weijing”	廣東偉經傢俱科技有限公司 (Guangdong Weijing Furniture Technology Co., Ltd.*), a company established under the laws of the PRC, being one of the Vendors
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a company established under the laws of the PRC and is wholly-owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the Agreement and the transactions contemplated thereunder
“Shanghai Dianjin”	上海點金實業有限公司 (Shanghai Dianjin Industrial Co., Ltd.*), a limited liability company established under the laws of the PRC, being one of the Vendors
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	廣西玉柴石油化工有限公司 (Guangxi Yuchai Petrochemical Co., Ltd.*), a limited liability company established under the laws of the PRC
“Target Group”	the Target and 欽州玉柴石化銷售有限公司 (Qinzhou Yuchai Petrochemical Trading Co., Ltd.*), a wholly-owned subsidiary of the Target
“Vendors”	Guangdong Weijing, Shanghai Dianjin and Zhuji Jingshi
“Yuchai Machinery”	廣西玉柴機械集團有限公司 (Guangxi Yuchai Machinery Group Co., Ltd.*), a limited liability company established under the laws of the PRC
“Zhuji Jingshi”	諸暨精石投資有限公司 (Zhuji Jingshi Investment Co., Ltd.*), a limited liability company established under the laws of the PRC, being one of the Vendors
“%”	per cent

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

Hong Kong, 5 February 2014

For the purposes of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1 to HK\$1.28. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.

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.

* for identification purpose only