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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hoifu Energy Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial Adviser to the Company



Crescendo Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



A notice convening a special general meeting of Hoifu Energy Group Limited to be held at 3:00 p.m. on 13 February 2018 at Units 1910-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong is set out on pages 171 to 172 of this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the special general meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

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

"Acquisition" the acquisition of the Sale Shares, representing the entire

equity interest of the Target, and the Sale Loan by the Purchaser in accordance with the terms and conditions of

the Agreement

"Agreement" the sale and purchase agreement dated 28 July 2017 (as

supplemented and amended by the supplemental agreements dated 28 October 2017 and 31 December 2017) entered into among the Purchaser, the Company and the

Vendor in relation to the Acquisition

"Announcement" the announcement of the Company dated 28 July 2017 in

relation to the Acquisition

"associate(s)" has the meaning ascribed to it under the Listing Rules

"Board" the board of Directors

"BVI" British Virgin Islands

"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

"Completion" completion of the Acquisition in accordance with the terms

and conditions of the Agreement

"connected person(s)" has the meaning ascribed to it under the Listing Rules

"Convertible Note" the convertible note of a principal amount of HK\$1,156.40

million with an initial conversion price of HK\$0.70 per Conversion Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Agreement

"Conversion Share(s)" new Share(s) to be issued by the Company upon

conversion of the Convertible Note

"Director(s)" the director(s) of the Company

"Dr. Hui Chi Ming, G.B.S., J.P., an executive Director and the

controlling Shareholder

"Elite Partners" Elite Partners CPA Limited, Certified Public Accountants,

Hong Kong

"Enlarged Group" the Group and the Target Group

"Group" the Company and its subsidiaries

"HK\$" Hong Kong dollar, the lawful currency of Hong Kong

"Hong Kong" the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee" the committee of the Board comprising all the independent

non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders

in respect of the Acquisition

"Independent Financial Adviser" Donvex Capital Limited, a corporation licensed to carry out

type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and transactions

contemplated thereunder

"Independent Shareholders" Shareholders other than Dr. Hui and his associates who are

interested in the Acquisition

"Last Trading Day" 28 July 2017, being the last trading day of the Shares on

the Stock Exchange before the publication of the announcement of the Company dated 28 July 2017 in

relation to the Acquisition

"Latest Practicable Date" 24 January 2018, being the latest practicable date prior to

the printing of this circular for the purpose of ascertaining

certain information for inclusion in this circular

"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

circular, shall exclude Hong Kong, the Macau Special

Administrative Region of the PRC and Taiwan

"Previous Acquisition" the acquisition of the entire issued share capital of Millhaven Holdings Limited by Hoifu Energy Holdings

Limited, a wholly-owned subsidiary of the Company, which was completed on 30 November 2016, details of which are set out in the circular of the Company dated 20

October 2016

"Purchaser" Hoifu Energy Holdings Limited, a company incorporated in

the BVI with limited liability and a wholly-owned

subsidiary of the Company

"RMB" Renminbi, the lawful currency of the PRC

"Sale Loan" the entire debt owed by the Target Group to the Vendor

and any of its affiliates immediately before Completion on any account whatsoever and whether or not then due for

payment

"Sale Shares" 100 ordinary shares in the Target, representing the entire

issued share capital of the Target

"SFO" the Securities and Futures Ordinance (Chapter 571 of the

Laws of Hong Kong), as amended, supplemented or

otherwise modified from time to time

"SGM" the special general meeting of the Company to be

convened and held for the purpose of considering and, if thought fit, approving the Agreement and transactions

contemplated thereunder

"Share(s)" ordinary share(s) of HK\$0.10 each in the issued share

capital of the Company

"Shareholder(s)" the holder(s) of the Share(s)

"sq.m." square metres

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Target" New Guangdong Merchants Investment Holding Group

Limited, a company incorporated in the BVI with limited

liability

"Target Group" the Target and its subsidiaries, namely New Guangdong Merchants Investment Holding Limited and 廣東凱富偉業投資管理有限公司 (Guangdong Hoifu Wai Yip Investment Management Limited*)

"Valuer" Malcolm & Associates Appraisal Limited, an independent

qualified professional valuer

Hoifu Group Investment Holdings Limited, a company incorporated in the BVI with limited liability. It is beneficially wholly-owned by Dr. Hui as at the date of the

Agreement

"%" per cent

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.0 to HK\$1.1564. 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.

"Vendor"

^{*} For identification purpose only



(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

Honorary Chairman and Senior Consultant:

Dr. Yukio Hatoyama

Executive Directors:

Dr. Hui Chi Ming G.B.S., J.P.

Mr. Neil Bush

Dr. Chui Say Hoe

Mr. Xu Jun Jia

Mr. Cao Yu

Mr. Ren Qian

Mr. Lam Kwok Hing M.H., J.P.

Mr. Nam Kwok Lun

Independent Non-executive Directors:

Mr. Chen Weiming, Eric

Mr. Kwan Wang Wai, Alan

Mr. Ng Chi Kin, David

Mr. Yim Kai Pung

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Head office and principal place of

business in Hong Kong:

Units 1910-12, 19th Floor

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan, Hong Kong

29 January 2018

To the Shareholders,

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

On 28 July 2017, the Company, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, the Sale Shares and the Sale Loan for a total consideration of RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million), which will be satisfied by payment of cash and issue of the Convertible Note.

It was disclosed in the Announcement that the major assets of the Target Group were the land use rights of four land parcels located in Donghai Dao, Zhangjiang Economic and Technological Development Zone, Zhangjiang City, Guangdong Province, the PRC with total site area and total planned gross floor area of 244,829 sq.m. and 896,900 sq.m. respectively. Subsequently, in late August 2017, the Company noted that the Target Group had entered into a land use right transfer agreement with Zhanjiang City Land Resources Bureau on 20 July 2017 in relation to the acquisition of the Land 5 ("the 5th Land Acquisition"), and the Target Group was liaising with the relevant government authority in obtaining the land use rights certificate. The Company was given to understand that such information was not disclosed by the Vendor to the Company at the time of entering into of the Agreement since: (i) the 5th Land Acquisition had not been completed as at the date of the Agreement; (ii) the outcome of the 5th Land Acquisition has no impacts on the terms of the Agreement; (iii) there was a dispute on the boundary point coordinate of the Land 5, which was finalized by the Target Group and the Zhanjiang City Land Resources Bureau only until late September 2017, and the Vendor considered that such dispute would cause great uncertainty on the timing of completion of the 5th Land Acquisition; (iv) the Land 5 is relatively insignificant as compared to the first four land parcels in terms of both land area and price as the total site area and total price of the first four land parcels are approximately 244,829 sq.m. and RMB139.56 million respectively while the site area and price of the Land 5 are only 20,935.54 sq.m. and RMB11.94 million respectively; and (v) the 5th Land Acquisition has no impact on the transaction classification of the Acquisition under Chapters 14 and 14A of the Listing Rules.

Given that (i) the 5th Land Acquisition had not been completed as at the date of the Agreement and the deposit paid for the 5th Land Acquisition had already been taken into account in the calculation of the asset test under Chapter 14 of the Listing Rules; and (ii) the consideration for the Acquisition will remain unchanged even if the Target Group completes the 5th Land Acquisition, the Company considers that the 5th Land Acquisition should not have any impact on the size tests or transaction classification of the Acquisition under Chapters 14 and 14A of the Listing Rules. In view of the above and the facts that the 5th Land Acquisition only came to the attention of the Company subsequent to the publication of the Announcement and the Land 5 is relatively insignificant as compared to the total assets of the Target Group, the Board considers that the information contained in the Announcement is accurate and complete in all material respects and not be misleading or deceptive at the time of publication of the Announcement and such announcement has been fully complied with Rule 2.13 of the Listing Rules.

The Acquisition, when aggregates with the Previous Acquisition pursuant to Rules 14.22 and 14A.81 of the Listing Rules, constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules. As at the Latest Practicable Date, the Vendor was beneficially wholly-owned by Dr. Hui, an executive Director and controlling Shareholder, and was therefore an associate of Dr. Hui and a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, 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.

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve, by way of poll, the Agreement and transactions contemplated thereunder. As at the Latest Practicable Date, the Vendor and its associates were interested in 1,815,911,427 Shares, representing approximately 72.02% of the total issued share capital of the Company. In view of their interest in the Acquisition, the Vendor and its associates are required to abstain from voting for the approval of the Agreement and transactions contemplated thereunder at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Agreement and transactions contemplated thereunder and Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Acquisition; (ii) the financial information relating to the Group, the Target Group and the Enlarged Group; (iii) the valuation of the property interest of the Target Group; (iv) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and transactions contemplated thereunder; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and transactions contemplated thereunder; and (vi) the notice of the SGM.

THE AGREEMENT

Date

28 July 2017

Parties to the Agreement

Purchaser: Hoifu Energy Holdings Limited, a company incorporated in the

BVI with limited liability and indirectly wholly-owned by the

Company

Vendor: Hoifu Group Investment Holdings Limited, an investment holding

company incorporated in the BVI with limited liability. The Vendor was wholly-owned by Dr. Hui, an executive Director and controlling Shareholder, as at the Latest Practicable Date and thus an associate of Dr. Hui and a connected person of the Company

under Chapter 14A of the Listing Rules.

Issuer: the Company

Assets to be acquired

The assets to be acquired under the Agreement is the Sale Shares, representing the entire equity interest of the Target, and the Sale Loan.

Consideration

The total consideration for the Acquisition is RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million), of which (i) RMB100.00 million (equivalent to approximately HK\$115.64 million) has been paid in cash as a refundable deposit within 10 days from the effective date of the Agreement; and (ii) the remaining balance of RMB1,000.00 million (equivalent to approximately HK\$1,156.40 million) will be satisfied by issue of the Convertible Note. The cash consideration was financed by internal resources of the Group.

The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation of the net asset value of the Target Group and the Sale Loan as at 30 September 2017 of approximately RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million) valued by the Valuer based on comparison approach. Based on the valuation conducted by the Valuer set out in Appendix V to this circular, the market value of the the Target Group was approximately RMB992.00 million (equivalent to approximately HK\$1,147.15 million) as at 15 December 2017 based on asset-based approach. With reference to the accountant's report of the Target Group as set out in Appendix II to this circular, the Sale Loan as at 30 September 2017 was approximately RMB169.77 million (equivalent to approximately HK\$196.32 million). The original investment cost of the Vendor for its investment in the Target Group amounted to approximately RMB180.35 million (equivalent to approximately HK\$208.56 million), which mainly represents the purchase cost of five land parcels (the "Lands") from Zhanjiang City Land Resources Bureau, which represents the lowest bidding price for the open auctions of the Lands set by Zhanjiang City Land Resources Bureau. The land use rights transfer agreement for the Land 1, Land 2, Land 3 and Land 4 was signed on 16 December 2016 while the land use rights transfer agreement for the Land 5 was signed on 20 July 2017, details of the Lands are set out in the section headed "INFORMATION OF THE TARGET GROUP" below.

The Directors noted that the consideration for the Acquisition is substantially higher than the original investment cost of the Vendor and believe that the premium of the consideration over the original investment cost of the Vendor was mainly attributable to the increase in the market value of the land parcels owned by the Target Group. According to the statistics released by Zhanjiang Municipal Bureau of Statistics, the gross domestic products ("GDP") of Zhanjiang City was approximately RMB204.38 billion for the nine months ended 30 September 2017, representing an increase of approximately 7.9% as compared to the previous corresponding period, of which approximately RMB26.02 billion was contributed by the development zone, where the Lands are located. The GDP of the development zone recorded an outstanding growth rate of approximately 17.1% for the nine months ended 30 September 2017, as compared to the previous corresponding period. In addition, both the sales area and sales amount of commercial housing (商品房) in Zhanjiang City recorded continuous growth in the past few years. The annual growth rate of commercial housing sales area was approximately 2.8%, 10.6%, 24.6% and 62.2% for 2014, 2015, 2016 and the ten months ended 31 October 2017 respectively while the commercial housing sales amount recorded a year-to-year increase of approximately 7.4%, 7.6%, 36.0% and 92.1% for 2014, 2015, 2016 and the ten months ended 31 October 2017 respectively. The sales price indices of commercial residential buildings also showed an increasing trend from 100 for 2015 to 106.5 for December 2016 and 116.2 for November 2017. The Directors consider that the value of a property may be affected by many macro-factors such as economic indicators, interest rate, appetite of property investors at the relevant time, change in demand and supply of properties, status and/or future plan of infrastructure development in the area of the subject property and government policy on development of a specific area or location, etc.. However, the Directors are unable to conclude any specific reason for the increase in value of the land parcels held by the Target Group.

The Company has reviewed the comparable transactions adopted by the Valuer as set out in Appendix IV to this circular and considered the comparable transactions form a representative and meaningful comparison to conclude the fair value of the property interest of the Target Group as all the comparable transactions are located in Zhanjiang City, where the property interest of the Target Group locates, with similar usage and the transaction dates are proximate to the date of valuation of the property interest of the Target Group. Given the valuations of the property interest of the Target Group as set out in Appendix IV to this circular and the valuation of the Target Group as set out in Appendix V to this circular were conducted by an independent professional valuer in accordance with the relevant applicable valuation standards, the Directors consider that such values are representative benchmarks for the fair market values of the Target Group and it is more appropriate to determine the consideration of the Acquisition by referencing to the prevailing market value of the sale subjects, instead of the historical investment cost incurred by the Vendor. As the consideration for the Acquisition of RMB1,100.00 million represents a discount of approximately 5.32% to the aggregate of fair value of the Target Group as at 15 December 2017 and the Sale Loan as at 30 September 2017 of approximately RMB1,161.77 million, the Directors consider that the consideration for the Acquisition is fair and reasonable although it is higher than the original investment cost of the Vendor.

Principal terms of the Convertible Note

The terms of the Convertible Note were negotiated on an arm's length basis and the principal terms of which are summarized below:

Issuer : the Company

Principal amount: RMB1,000.00 million (equivalent to approximately

HK\$1,156.40 million)

Issue price : 100.00% of the principal amount of the Convertible Note

Interest : Nil

Maturity date : the fifth anniversary of the date of issue of the Convertible

Note

Conversion price

the initial conversion price is HK\$0.70, subject to adjustments in accordance with the terms and conditions of the Convertible Note. Events triggering adjustments include share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. The adjustment mechanism of the conversion price is set out in Appendix VIII to this circular.

The initial conversion price of HK\$0.70 represents:

- (i) a discount of approximately 22.22% to the closing price of HK\$0.900 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 12.50% to the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 17.26% to the average of the closing prices of approximately HK\$0.846 per Share as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16.37% to the average of the closing prices of approximately HK\$0.837 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 85.19% over the net asset value of approximately HK\$0.378 per Share, calculated based on the consolidated net asset attributable to owners of the Company of approximately HK\$953.49 million as at 30 June 2017 and 2,521,280,885 Shares in issue as at the Latest Practicable Date.

The initial conversion price was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the market price of the Shares at the time of negotiation of the Acquisition and the trend of the share price movement during the six-month period immediately preceding the Last Trading Day. Having considered that (i) the initial conversion price falls within the range of the closing prices of the Shares during the six-month period immediately preceding the Last Trading Day of HK\$0.67 and HK\$0.99; (ii) the initial conversion price represents a premium of approximately 85.19% over the net asset value per Share; (iii) the closing prices of the Shares showed a decreasing trend during the period from 2 May 2017 to the Last Trading Day; and (iv) some of the terms of the Convertible Note such as zero interest rate and the early redemption rights are favourable to the Company, the Directors consider that the initial conversion price is fair and reasonable although it was set at a discount to the closing price of the Shares on the Last Trading Day.

Conversion rights

the Convertible Note carries the rights to convert the whole or part of its principal amount into Conversion Shares at the initial conversion price of HK\$0.70 per Conversion Share during the conversion period at the discretion of the holder(s) of the Convertible Note provided that the allotment and issue of the Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

Conversion period

the period commencing on the date immediately after the date of issue of the Convertible Note and expiring on the date falling on the seventh day immediately before the maturity date of the Convertible Note.

Conversion Shares

the Conversion Shares shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant conversion date and shall entitle the holder(s) to participate in full in all dividend or other distribution paid or made on the Shares after the relevant conversion date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant conversion date.

Assuming that the Convertible Note is fully converted into Conversion Shares at the initial conversion price of HK\$0.70, a total of 1,652,000,000 Conversion Shares will be issued, which represent approximately 65.52% of the existing share capital of the Company and approximately 39.59% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under a specific mandate, which will be sought at the SGM. Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Application of listing

no applications will be made by the Company to the Stock Exchange or any other stock exchange for the listing of the Convertible Note.

Early Redemption

the Company has the right to redeem the Convertible Note at any time before the maturity date at 100.00% of the outstanding principal amount of the Convertible Note.

Transferability

the Convertible Note shall be freely transferable to any person, provided that any transfer to a connected person of the Company are subject to compliance with the relevant requirements and provisions under the Listing Rules and applicable laws and regulations.

Voting

the holder(s) of the Convertible Note shall not be entitled to attend or vote at any meeting of the Company by reason only of it/him/her/them being the holder(s) of the Convertible Note.

Conditions precedent

Completion is conditional upon, inter alia,:

- (a) the board of directors of the Purchaser having approved the Agreement and transactions contemplated thereunder;
- (b) the Shareholders, other than those required to abstain from voting under the Listing Rules, having approved the Agreement and transactions contemplated thereunder at the SGM;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares;
- (d) the Company having been satisfied with the result of the valuation on the Target Group to be carried out by an independent valuer appointed by the Purchaser and the Company; and
- (e) the Purchaser and the Company being satisfied with the results of the financial and legal due diligence on the Target Group to be carried out by independent auditors and legal adviser appointed by the Purchaser and the Company.

Completion 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 28 February 2018 or such later date as the parties to the Agreement may agree in writing, the Agreement shall be terminated and of no effect. As at the Latest Practicable Date, conditions (a), (d) and (e) have been satisfied.

INFORMATION ON THE TARGET GROUP

The Target was incorporated on 7 August 2015 in the BVI with limited liability and is an investment holding company. Dr. Hui was the sole ultimate beneficial owner of the Target as at the date of the Agreement. The Target indirectly holds, through New Guangdong Merchants Investment Holding Limited, the entire equity interests of Guangdong Hoifu Wai Yip Investment Management Limited, a company incorporated under the laws of the PRC, which owns the land use rights of the Lands located in Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area and total planned gross floor area of approximately 265,764 sq.m. and 977,156 sq.m. respectively. The Target Group has not carried out any business since the incorporation of the member companies. Based on the valuation conducted by the Valuer set out in Appendix IV to this circular, the market value of the property interest of the Target Group was RMB1,150.00 million (equivalent to approximately HK\$1,329.86 million) as at 15 December 2017 based on market approach.

Details of the land use rights held by the Target Group as at the Latest Practicable Date are shown as follows:

	Land 1	Land 2	Land 3	Land 4	Land 5
Title deed number	44710041987	44710041984	44710041986	44710041985	44710027681
Site area	120,662.42 sq.m. (including protected green field of 2,121.24 sq.m.)	16,559.18 sq.m.	16,562.99 sq.m.	91,044.06 sq.m.	20,935.54 sq.m.
Planned gross floor area	458,500.00 sq.m.	26,500.00 sq.m.	26,500.00 sq.m.	114,600.00 sq.m. for commercial and financial as well as accommodation & catering use, and 270,900.00 sq.m. for residential use	25,519.76 sq.m. for commercial and financial as well as accommodation & catering use, and 54,636.68 sq.m. for residential use
Usage	residential	wholesale and retail	wholesale and retail	Mixed (residential, commercial and financial, accommodation & catering)	Mixed (residential, commercial and financial, accommodation & catering)
Expiry date of the land use rights	9 April 2087	9 April 2057	9 April 2057	Residential use: 9 April 2087; commercial and financial, accommodation & catering: 9 April 2057	Residential use: 24 August 2087; commercial and financial, accommodation & catering: 24 August 2057

The Lands are located at the central business district of Donghai Dao, being a part of Zhanjiang Economic and Technological Development Zone ("ZETDZ") established in 1984 with the approval of the State Council and combined with Zhanjiang Donghai Dao Economic Development Test Zone in 2009 with a total area of 469 square kilometer. ZETDZ comprises three zones, including the established zone located in the center of Zhanjiang City and the industrial zone and the tourist zone of Donghai Dao. According to "Zhanjiang City Master Plan (2011-2020)" approved by the State Council in June 2017, Donghai Dao is one of the seven key strategic development areas of Zhanjiang City. Donghai Dao is aiming to develop into a modern city favourable for industrial, commercial as well as residential with six major functional areas, namely steel industry zone, petrochemical zone, hi-tech industrial zone, modern manufacturing zone, central business district and tourism and leisure zone. Central business district, being one of the major functional areas, is located at the center of Donghai Dao and an aggregate of 500 acres of land of which has been planned for hotel, residential and commercial integrated projects. With the commencement of the operation/construction of large-scaled projects in Donghai Dao such as the steel industrial projects, refinery and petrochemical projects, Donghai hospital project, Donghai secondary school project etc., it is expected that there are demands for quality residential property.

Development plan of the Lands

Pursuant to the land use right transfer agreement dated 16 December 2016 in respect of the Land 1, Land 2, Land 3 and Land 4, the total investment cost for the development of the four land parcels shall not be less than RMB1,800.00 million. According to the land use right transfer agreement dated 20 July 2017 in respect of the Land 5, there are no requirements on the minimum investment cost for the development of Land 5. Based on the information provided by the Vendor, the five land parcels are conjunct in the same area and will be developed as a whole by three phases into a complex for residential, commercial, office and accommodation usage with the present intention to hold for sale, save for the hotel. The total investment cost of the project is estimated to be RMB1,990 million, which was determined with reference to, among others, the guideline documents issued by the government of the PRC and recent property construction/development cost in Guangdong Province and Zhanjiang City. The preliminary development plan of the Lands, which is subject to the results of the detailed feasibility study to be conducted by the Company after Completion, is set out as follows:

The first phase of the project mainly involves construction of residential towers, commercial shops, office towers and a hotel with total site area and total planned gross floor area of approximately 91,600 sq.m. and 315,600 sq.m. respectively. It is expected that the construction period will commence in January 2018 and be completed in November 2019 while the pre-sales will commence in the first quarter of 2019. The development cost for the first phase of the property project was estimated to be approximately RMB660 million, mainly for construction costs, administrative expenses, marketing expenses, tax and finance costs. The development cost shall be paid by stages in accordance with the progress of the construction work.

The second and third phases of the project mainly involve construction of residential towers, commercial and office towers with total site area and total planned gross floor area of approximately 174,164 sq.m. and 661,556 sq.m. respectively. The construction work will commence simultaneously after the completion of the first phase of the project. It is expected that the construction period will be two years commencing from November 2019. The development cost for the second and third phases of the project was estimated to be approximately RMB1,330 million, mainly for construction costs, administrative expenses, marketing expenses, tax and finance costs. The development cost shall be paid by stages in accordance with the progress of the construction work.

As at the Latest Practicable Date, the Target Group had obtained the temporary construction permit (臨時施工許可證) for earthwork digging and other preparatory works. The Company will conduct a strategic review on the existing development plan (including the development cost) of the Target Group after Completion and will formulate a more detailed development plan and budget for the properties owned by the Target Group. The Company expects that the development cost will be financed by internal resources of the Group and/or proceeds from any debt/equity fund raising activities to be carried out in accordance with the then circumstances. As at the Latest Practicable Date, no concrete plans on any fund-raising activity had been concluded yet.

Financial information

The audited financial information of the Target Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, as set out in Appendix II to this circular is summarized as follows:

			For the period from
	For the		7 August
	period from		2015 (date of
	1 January	For the	incorporation)
	2017 to	year ended	to
	30 September	31 December	31 December
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Turnover	_	_	_
Net loss before taxation	(2,558)	(39)	(19)
Net loss after taxation	(2,558)	(39)	(19)

As at 30 September 2017 RMB'000

Total assets 167,183Total liabilities 167,183

Net liabilities (2,615)

Note: This figure including shareholder's loan of approximately RMB169.77 million.

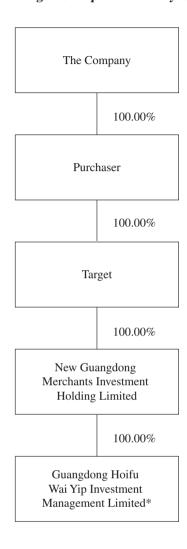
Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion.

Shareholding structure of the Target Group as at the Latest Practicable Date



Shareholding structure of the Target Group immediately after Completion



REASONS FOR THE ACQUISITION

The Company is an investment holding company and the principal activities of the Group include trading of natural resources, petrochemical production, oil and gas exploration and production, mineral mining business, hotel operation management, large-scale indoor parking and commercial real estate operation management, and provision of financial services.

It has been the Company's business strategy to make investments in development projects with economic growth potential so as to expand its revenue source, improve its profitability and maintain a sustainable growth. The Directors are of the view that the long-term prospect of the PRC property market is promising in view of the PRC's continuous economic growth, the rising early-stage urbanization, regional development boosted by city clusters and the continued increase in the citizens' financial capability. Accordingly, the Group intends to expand its business into property investment and development alongside its existing business.

In early November 2016, Zhanjiang City Land Resources Bureau published an open auction notice regarding Land 1, Land 2, Land 3 and Land 4 with closing date in early December 2016. The Company was interested in the aforementioned land parcels and intended to participate in the land auction. However, having considered that: (i) the consideration for the land auction must be paid by cash and the Group did not have sufficient financial resources for payment of the cash consideration at the relevant time; (ii) the auction notice period is relatively short and it might be difficult for the Group to raise sufficient funding for the land auction within a month; and (iii) the Group just completed the Previous Acquisition on 30 November 2016 and it did not have sufficient human resources to manage two sizable property development projects simultaneously, the Company considered that it was not in the best interest of the Group to participate in the land auction in December 2016. After the Company relinquished to participate in the land auction, Dr. Hui decided to participate in the land auction with his own resources and his private company successfully obtained the land use rights of Land 1, Land 2, Land 3 and Land 4 subsequently.

Meanwhile, the Group's property development project progressed smoothly after completion of the Previous Acquisition. The appointment of Mr. Ren Qian, who has extensive experience in property development industry in the PRC, as a Director on 5 July 2017, also enabled the Company to be well equipped to participate in more property development projects. Together with Dr. Hui's willingness in accepting non-cash consideration for the Acquisition, the Company negotiated with Dr. Hui for the Acquisition at the end of July 2017.

The Directors consider that the Acquisition provides a good opportunity for the Group to acquire land parcels with great development potential for future sale or development and enables it to engage in property development projects when suitable opportunities arise. The Directors are of the view that the Acquisition is in line with the strategic development of the Group and believe that it can bring long-term and strategic benefits to the Company.

The Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the Agreement is on normal commercial terms and the terms of which are fair and reasonable, and the entering into of the Agreement is in the interests of the Company and Shareholders as a whole. Given that Dr. Hui's private company participated in the land auction only after the Company decided to quit from it, the Board considered that there were no conflicts of interest and competitions between the private company of Dr. Hui and the Company for the investment in the land parcels owned by the Target Group.

THE GROUP'S BUSINESS PLAN AND STRATEGY IN PROPERTY INVESTMENT AND DEVELOPMENT BUSINESS

In view of the promising long-term prospect of the PRC property market, the Board is optimistic in developing the property investment and development business in the PRC. The Company has established a property team to manage and develop its property investment and development business. Members of the property team include veterans in the property industry such as Mr. Ren Qian, a Director with over 30 years of experience in the housing and urban-rural development industry, the real estate industry and the water resources management industry in the PRC as well as extensive experience in planning, usage, development and operation of land resources and water resources in the PRC. Mr. Ren was the secretary of the office minister of The Ministry of Water Resources of the PRC and The Ministry of Housing and Urban-Rural Development of the PRC respectively and was also the deputy mayor of The People's Government of Hebei Province, Langfang City (mainly responsible for urban development), the deputy general manager of 中國建設部華通置業有限公司 (China Housing and Urban-Rural Development Huatong Real Estate Limited) and the chairman of Beijing Yinghe Property Development Limited. Mr. Ren served as an executive director of China City Infrastructure Group Limited (Stock Code: 2349) (formerly known as China Botanic Development Holdings Limited) from 30 July 2009 to 2 December 2016 and was responsible for strategic development and properties management.

To tap into the property investment and development business in the PRC, the Group acquired a hotel and commercial real estate with indoor parking in Beijing. The property development project held by the Target Group would be the first property development project of the Group. As at the Latest Practicable Date, save for the Acquisition, no other property development projects have been identified by the Company. However, the Group has continued to look for investment opportunities in commercial and residential property investment and development projects with economic growth potential, especially in Guangdong Province, and will acquire additional land parcels with great development potential for future sale or development when suitable opportunities arise.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the Latest Practicable Date and, for illustrative purposes only, (i) upon full conversion of the Convertible Note; and (ii) upon conversion of the Convertible Note, subject to the conversion restriction, each prepared on the basis that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated in each scenario.

					Upon conv	ersion of
			Upon full co	nversion of	the Convert	ible Note,
	As at	the	the Conver	tible Note	subject to the	conversion
	Latest Practicable Date		(Note 2)		restriction (Note 3)	
	Number of		Number of		Number of	
	Shares	%	Shares	%	Shares	%
Dr. Hui and his associates (Note 1)	1,815,911,427	72.02	1,815,911,427	43.51	1,815,911,427	64.36
The Vendor			1,652,000,000	39.59	300,196,947	10.64
Sub-total	1,815,911,427	72.02	3,467,911,427	83.10	2,116,108,374	75.00
Other public Shareholders	705,369,458	27.98	705,369,458	16.90	705,369,458	25.00
Total	2,521,280,885	100.00	4,173,280,885	100.00	2,821,477,832	100.00

Notes:

- These Shares included 830,821,143 Shares held by Triumph Energy Group Limited, 39,966,000 Shares held by Wisdom On Holdings Limited, 4,018,000 Shares held by Taiming Petroleum Group Limited and 941,106,284 Shares held by Golden Nova Holdings Limited. The issued share capital of Triumph Energy Group Limited is beneficially and indirectly owned as to 92.67% by Dr. Hui through Golden Nova Holdings Limited and Simply Superb Holdings Limited. Wisdom On Holdings Limited, Taiming Petroleum Group Limited and Golden Nova Holdings Limited are directly or indirectly wholly-owned by Dr. Hui. The Acquisition will not result in a change of control of the Company.
- 2. This scenario is shown for illustrative purpose only and will not exist in reality as the conversion of the Convertible Note is subject to the conversion restriction set out in note (3) below.
- 3. Pursuant to the Agreement, the holder(s) of the Convertible Note shall not exercise its conversion right to convert the Convertible Note into Conversion Shares to the extent that following such exercise would cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target will be an indirect wholly-owned subsidiary of the Company and its assets, liabilities and results will be consolidated into the consolidated financial statement of the Group.

As set out in the unaudited pro forma financial information on the Enlarged Group in Appendix III to this circular, had the Acquisition been completed on 1 January 2016, the consolidated net loss for the year ended 31 December 2016 attributable to the owners of the Company would have changed from approximately HK\$4.62 million to a consolidated net profit of approximately HK\$77.07 million. Had the Acquisition been completed on 30 June 2017, the consolidated total assets of the Group would have increased by approximately HK\$1,245.80 million to HK\$2,821.16 million while the consolidated total liabilities of the Group would have increased by approximately HK\$1,245.80 million to HK\$1,732.69 million.

LISTING RULES IMPLICATIONS

As the Agreement was entered into within 12 months after completion of the Previous Acquisition, and both agreements in respect of the Previous Acquisition and the Acquisition were entered into between a member of the Group and the same connected person and/or his associates, Rules 14.22 and 14A.81 of the Listing Rules regarding aggregation of transactions shall be applied to the Acquisition. Since one of the applicable percentage ratios for the Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, the Vendor was beneficially wholly-owned by Dr. Hui, an executive Director and controlling Shareholder. As such, the Vendor was an associate of Dr. Hui and a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. 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. As Dr. Hui and Mr. Xu Jun Jia, being the son of Dr. Hui, have a material interest in the Acquisition, they had abstained from voting on the board resolution for approving the Agreement and transactions contemplated thereunder.

As at the Latest Practicable Date, the Vendor and its associates were interested in 1,815,911,427 Shares, representing approximately 72.02% of the total issued share capital of the Company. In view of their interest in the Acquisition, the Vendor and its associates are required to abstain from voting for the approval of the Agreement and transactions contemplated thereunder at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders have any material interest in the Acquisition which is different from other Shareholders and therefore no other Shareholders are required to abstain from voting at the SGM to approve the Agreement and transactions contemplated thereunder.

SGM

The SGM will be held at 3:00 p.m. on 13 February 2018 at Units 1910-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve, by way of poll, the Agreement and transactions contemplated thereunder.

Notice of the SGM is set out on pages 171 to 172 of this circular and the form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 28 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, in relation to the Agreement and transactions contemplated thereunder.

The Directors and the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Agreement and transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Hoifu Energy Group Limited
Dr. Hui Chi Ming, G.B.S., J.P.
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

29 January 2018

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular of Hoifu Energy Group Limited dated 29 January 2018 (the "Circular"), of which this letter forms part. Capitalized terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in relation to the Acquisition. Donvex Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the Acquisition. The letter of advice from the Independent Financial Adviser is set out on pages 28 to 53 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 25 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of the Agreement and transactions contemplated thereunder are on normal commercial terms conducted in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and transactions contemplated thereunder.

> Yours faithfully, Independent Board Committee of **Hoifu Energy Group Limited** Chen Weiming, Eric Kwan Wang Wai, Alan Ng Chi Kin, David Yim Kai Pung

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor Carpo Commercial Building 18-20 Lyndhurst Terrance Central Hong Kong

29 January 2018

The Independent Board Committee and the Independent Shareholders of Hoifu Energy Group Limited

Dear Sir/Madam.

CONNECTED TRANSACTION AND VERY SUBSTANTIAL ACOUISITION OF THE TARGET GROUP

VERY SUBSTANTIAL ACQUISITION OF THE TARGET GROUP INVOLVING THE ISSUANCE OF CONVERTIBLE NOTE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement, the issuance of Convertible Note (the "Issuance") and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated 29 January 2018 to the Shareholders (the "Circular"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

Reference is made to the announcement dated 28 July 2017, the Company, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan at an aggregate consideration of RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million), of which (a) RMB100.00 million (equivalent to approximately HK\$115.64 million) has been paid in cash as a refundable deposit within 10 days from the effective date of the Agreement; and (b) the remaining balance of RMB1,000.00 million (equivalent to approximately HK\$1,156.40 million) will be satisfied by the Issuance.

The Vendor was beneficially wholly-owned by Dr. Hui, an executive Director and controlling Shareholder of the Company, and is hence an associate of Dr. Hui and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of 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. The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve, by way of poll, the Agreement, the Issuance, and transactions contemplated thereunder. The Vendor and its associates will abstain from voting for the approval of the Agreement, the Issuance, and transactions contemplated thereunder at the SGM.

As disclosed in the Clarification Announcement dated on 14 August 2017, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement, circular, and Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Chen Weiming Eric, Mr. Kwan Wang Wai Alan, Mr. Ng Chi Kin David, and Mr. Yim Kai Pung, has been established to advise the Independent Shareholders on (a) whether the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (b) whether the Acquisition by the connected person is in the interests of the Company and the Shareholders as a whole; and (c) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition, the Issuance, and the transactions contemplated thereunder at the SGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the Issuance, and the transactions contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the SGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Acquisition and the Issuance, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent indepth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition and the Issuance, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Company is an investment holding company. The principal activities of the Group include trading of natural resources, petrochemical production, oil and gas exploration and production, mineral mining business, hotel operation management, large-scale indoor parking and commercial real estate operation management, and provision of financial services.

The table below sets forth a summary of the consolidated financial information of the Group for the six months ended 30 June 2017 and 30 June 2016 (the "2017 Interim Report") and the two years ended 31 December 2015 and 2016 (the "2016 Annual Report") as extracted from the Company's 2017 Interim Report and 2016 Annual Report respectively:

	For the six	months	For the year		
	ended 30	June	ended 31 December		
	2017	2016	2016	2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	
Revenue	97,955	90,013	136,569	171,996	
Profit/(Loss) for the period/year	159,914	(9,880)	3,145	(34,374)	
	As a	t	As at	As at	
	30 June	21 Dec	cember	31 December	
	2017	7	2016	2015	
	HK\$'000) Н	K\$'000	HK\$'000	
	(Unaudited) (A	udited)	(Audited)	
Cash and cash equivalents	127,248	3 1	32,903	50,390	
Net assets	1,088,475	59	004,407	520,406	

According to the 2016 Annual Report, the revenue of the Group decreased from approximately HK\$172.00 million for the year ended 31 December 2015 to approximately HK\$136.57 million for the year ended 31 December 2016, mainly due to the decrease in the revenue of financial business and cease of trading business in sales of natural resources and petrochemicals. The Directors advised us that, due to the low profit margin of the trading business in sales of natural resources and petrochemicals, the Company quitted the trading business since the year 2016.

The Group suffered net loss of approximately HK\$34.37 million for the year ended 31 December 2015 and gained a net profit of approximately HK\$3.15 million for the year ended 31 December 2016. The increase in the net profit was mainly attributable to (a) the increase in other income for the year ended 31 December 2016 and (b) no impairment loss on goodwill recognized for the year ended 31 December 2016. The other income increased for the reason that the Group received a reward on referring the sale of 45% equity interest of Hebei Panbao Zeolite Technology Co., Ltd.

The cash and cash equivalents of the Group increased from approximately HK\$50.39 million as at 31 December 2015 to approximately HK\$132.90 million as at 31 December 2016, which was mainly due to (a) the increase in profit before tax and (b) the decrease of advance to suppliers arising from trading business.

The net assets of the Group increased from approximately HK\$520.41 million as at 31 December 2015 to approximately HK\$904.41 million as at 31 December 2016, which was mainly due to (a) the issuance of shares to Mr. Weng Tao on 28 July 2016; (b) the issuance of shares in consideration for the Previous Acquisition on 30 November 2016; and (c) the increase in net profit for the year ended 31 December 2016.

With reference to the 2017 Interim Report, the Group recorded revenue of approximately HK\$97.96 million for the six months ended 30 June 2017. The Group suffered from a net loss of approximately HK\$9.88 million for the six months ended 30 June 2016 and gained a net profit of approximately HK\$159.91 million for the six months ended 30 June 2017, which was mainly attributable to a significant increase in the fair value on the investment properties. As at 30 June 2017, the Group recorded cash and cash equivalents and net assets approximately HK\$127.25 million and HK\$1,088.48 million respectively.

2. Information on the Target Group

(1) The Target

The Target was incorporated on 7 August 2015 in the BVI with limited liability and is an investment holding company. The Target is wholly-owned by Dr. Hui. The Target indirectly holds, through New Guangdong Merchants Investment Holding Limited ("Guangdong Merchants Investment"), the entire equity interests of Guangdong Hoifu Wai Yip Investment Management Limited ("Hoifu Wai Yip Investment").

Save as disclosed above, there are no material assets in the Target.

(2) Guangdong Merchants Investment

Guangdong Merchants Investment was incorporated on 18 August 2015 in Hong Kong with limited liability and is an investment holding company. Guangdong Merchants Investment is wholly-owned by the Target, and it is the holding company of Hoifu Wai Yip Investment.

Save as disclosed above, there are no material assets in Guangdong Merchants Investment.

(3) Hoifu Wai Yip Investment

Hoifu Wai Yip Investment was incorporated on 20 October 2016 in PRC with limited liability and is an investment holding company. The principal assets of Hoifu Wai Yip Investment are the land use rights of the five land parcels (the "Lands") located in Zhanjiang City, Guangdong Province, PRC. The original investment cost of the Vendor (the "Original Investment Cost") for its investment in the Lands amounted to approximately RMB180.35 million (equivalent to approximately HK\$208.56 million).

We noted that the consideration for the Acquisition was substantially higher than the Original Investment Cost. The Directors advised us that it was not in the best interest of the Group to participate in the land auction in December 2016 for the following reasons:

- (i) the Group did not have sufficient cash to acquire land parcels. As at 31 December 2016, the cash and cash equivalents of the Group amounted to approximately HK\$132.90 million, as depicted under the section headed "Background information of the Group", while the consideration of four land parcels in December 2016 amounted to approximately HK\$208.56 million; and
- (ii) the Group was unable to obtain bank borrowings at that time since (a) the Group recorded consistent operating loss, whose non-recurring income or loss had been excluded, for the two years ended 31 December 2015 and 2016; and (b) the Group did not hold any property, plant, and equipment that could be used as collateral.

Taking into account (a) the insufficient cash and cash equivalents as at 31 December 2016; (b) the Group's consistent operating loss position; and (c) the insufficient collateral, we are of the view that it was not in the best interest of the Group to participate in the land auction in December 2016.

(4) Financial information on the Target Group

The financial information of the Target Group is contained in the accountants' report on the Target Group as set out in Appendix II to the Circular (the "Accountants' Report"). Set out below is a summary of the consolidated financial information of the Target Group for the two years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017 as extracted from the Accountants' Report, which was prepared in accordance with the financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants:

				Period from
				7 August 2015
			For the	e (date of
	For the nine	months	year ende	l incorporation)
	ended 30 Sep	tember	31 December	r to 31 December
	2017	2016	2010	2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Unaudited)	(Audited	(Audited)
Revenue	_	-	-	
Loss for the period/year	(2,558)		(39	(19)
	A	s at	As at	As at
	30 Septem	ber 31	December	31 December
	2	017	2016	2015
	RMB	000	RMB'000	RMB'000
	(Audi	ted)	(Audited)	(Audited)
Total assets	167,	183	38,125	3
Less: Total liabilities	(169,	798)	(38,182)	(21)
Net assets	(2,	615)	(57)	(18)

As disclosed in the Accountants' Report, the Target Group generated nil revenue for the period from 7 August 2015 (date of incorporation) to 31 December 2015, the year ended 31 December 2016, and the nine months ended 30 September 2017.

The total assets of the Target Group amounted to approximately RMB167.18 million as at 30 September 2017, which mainly comprised the land use rights of approximately RMB155.39 million. The total liabilities of the Target Group amounted to approximately RMB169.80 million as at 30 September 2017, which mainly comprised the amount due to the shareholder of approximately RMB169.77 million.

3. Principal terms of the Agreement

(1) The Agreement

Date: 28 July 2017

Parties: (a) Hoifu Energy Holdings Limited, a company incorporated in

the BVI with limited liability and indirectly wholly-owned by

the Company, as the Purchaser;

(b) Hoifu Group Investment Holdings Limited, an investment holding company incorporated in the BVI with limited

liability and wholly-owned by Dr. Hui, as the Vendor; and

(c) The Company as issuer

(2) Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire equity interest of the Target Group, and the Sale Loan.

As depicted under the section headed "Information on the Target Group", the principal assets of the Target Group are the land use rights of the Lands. The Lands are located in Donghai Dao, Zhanjiang Economic and Technological Development Zone ("ZETDZ"), Zhanjiang City, Guangdong Province, the PRC, with a total site area and total planned gross floor area of approximately 265,764.19 sq.m. and 977,156.44 sq.m. respectively.

The table below sets forth the details of the land use rights held by the Target Group as at the Latest Practicable Date:

	Land 1	Land 2	Land 3	Land 4	Land 5
Title deed number	44710041987	44710041984	44710041986	44710041985	44710027681
Site area (sq.m.)	120,662.42	16,559.18	16,562.99	91,044.06	20,935.54
Including: Protected green field	2,121.24	-	-	_	-
Planned gross floor area (sq.m.)	458,500.00	26,500.00	26,500.00	385,500.00	80,156.44
Including: Commercial use: Financial, accommodation and catering Commercial use:	-	-	-	114,600.00	25,519.76
Wholesale and retail	-	26,500.00	26,500.00	-	-
Residential use	458,500.00	_	_	270,900.00	54,636.68
Expiry date of the land use rights					
Commercial use: Financial, accommodation					
and catering	-	-	-	9 April 2057	24 August 2057
Commercial use: Wholesale and retail	-	9 April 2057	9 April 2057	-	-
Residential use	9 April 2087	-	-	9 April 2087	24 August 2087

The Lands are conjunct in the same area and will be developed as a whole into a complex for residential, commercial and financial, and accommodation and catering usage with the present intention to hold for sale, save for the hotel.

The first phase of the project mainly involves construction of residential towers, commercial shops, office towers and a hotel with total site area and total planned gross floor area of approximately 91,600 sq.m. and 315,600 sq.m. respectively. It is expected that the construction period will commence in January 2018 and be completed in November 2019 while the pre-sales will commence in the first quarter of 2019.

The second and third phases of the project mainly involve construction of residential towers, commercial and office towers with total site area and total planned gross floor area of approximately 174,164 sq.m. and 661,556 sq.m. respectively. The construction work will commence simultaneously after the completion of the first phase of the project. It is expected that the construction period will be two years commencing from November 2019.

(3) Conditions precedent

Completion is conditional upon, inter alia:

- (a) the board of directors of the Purchaser having approved the Agreement and transactions contemplated thereunder;
- (b) the Shareholders, other than those required to abstain from voting under the Listing Rules, having approved the Agreement and transactions contemplated thereunder at the SGM;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares;
- (d) the Company having been satisfied with the result of the valuation on the Target Group to be carried out by an independent valuer appointed by the Purchaser and the Company; and
- (e) the Purchaser and the Company being satisfied with the results of the financial and legal due diligence on the Target Group to be carried out by independent auditors and legal adviser appointed by the Purchaser and the Company.

Completion 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 31 December 2017 or such later date as the parties to the Agreement may agree in writing, the Agreement shall be terminated and of no effect. As at the Latest Practicable Date, conditions (a), (d), and (e) have been satisfied.

(4) Consideration

The aggregate consideration for the Acquisition is RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million), which was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the preliminary valuation of the net asset value of the Target Group and the Sale Loan of approximately RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million) valued by the Valuer based on comparison approach.

(5) Payment of the consideration

Pursuant to the Agreement, an aggregate consideration of RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million) shall be satisfied by the Purchaser to the Vendor in the following manner:

- (a) RMB100.00 million (equivalent to approximately HK\$115.64 million) shall be paid in cash as a refundable deposit within 10 days from the effective date of the Agreement; and
- (b) the remaining balance of RMB1,000.00 million (equivalent to approximately HK\$1,156.40 million) shall be satisfied by the Issuance.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, an amount of RMB100.00 million (equivalent to approximately HK\$115.64 million) has been paid in cash as a refundable deposit in accordance with the terms of the Acquisition.

4. Reasons for and benefits of the Acquisition

With reference to the Letter of the Board, the principal activities of the Group include trading of natural resources, petrochemical production, oil and gas exploration and production, mineral mining business, hotel operation management, large-scale indoor parking and commercial real estate operation management, and provision of financial services.

As advised by the Directors, the Group has been active in identifying suitable opportunities in property investment and development to broaden its revenue source, improve its profitability, and maintain a sustainable growth.

As disclosed in the circular announced on 20 October 2016, it has been the Company's business strategy to make investments that have earning potentials for the Group to expand its existing operations. Considering the expansion of the business on property investment and the promising PRC property market in the long-term prospect, the Directors would pursue the strategy of integrating into the property development business from its property investment business. The Directors are of the view that the Acquisition is in line with the strategic development of the Group and believe that the expansion from its existing property investment business into property development business can bring long-term benefits to the Company.

In addition, the Directors consider that Zhanjiang City will be a favorable business opportunity for the following reasons:

- (a) the development of the urbanization will promote the demand for public facilities such as shopping malls, thus increasing the demand of commercial properties;
- (b) the establishment of financial centers and hi-tech industries in ZETDZ would attract the talents to reside in ZETDZ, and the restricted supply of land parcels for residential and commercial properties in ZETDZ by the government authorities, according to the Ministry of Land and Resources of Zhanjiang City (湛江市國土資源部), will result in the increase in the the average unit price for every sq.m. of residential and commercial properties for sale (the "Average Unit Price") in ZETDZ in the future; and
- (c) the lower Average Unit Price, and no restricted policies on the purchase of the residential properties will attract the investors to purchase the properties in Zhanjiang City, as explained under the paragraph headed "Market outlook".

Having considered that (a) the Acquisition can broaden the revenue source of the Group, improve its profitability, and maintain a sustainable growth; (b) the integration of property development business into property investment business can bring long-term benefits; and (c) the residential and commercial properties in Zhanjiang City will be in high demand in the future, we are of the view that the Acquisition is in the interests of the Company and its Shareholders as a whole.

5. Market outlook

We noted that the economy of Zhanjiang City has expanded rapidly in the past years. According to the Statistics Bureau of Zhanjiang City (湛江市統計局), the gross domestic products ("GDP") of Zhanjiang City increased from approximately RMB140.51 billion in the year 2010 to approximately RMB258.48 billion in the year 2016, representing a compound annual growth rate ("CAGR") of approximately 10.69%. According to the National Bureau of Statistics of China (中華人民共和國國家統計局), the GDP of PRC increased from approximately RMB41.30 trillion in the year 2010 to approximately RMB74.41 trillion in the year 2016, representing a CAGR of approximately 10.31%.

The sale revenue of residential and commercial properties of Zhanjiang City continued to expand in recent years. According to the Statistics Bureau of Zhanjiang City (湛江市統計局), the sale revenue of residential and commercial properties of Zhanjiang City increased from approximately RMB4.02 billion in the year 2010 to approximately RMB18.04 billion in the year 2016, representing a CAGR of approximately 28.44%. According to the National Bureau of Statistics of China (中華人民共和國國家統計局), the sale revenue of residential and commercial properties of PRC increased from approximately RMB6.13 trillion in the year 2010 to approximately RMB11.76 trillion in the year 2016, representing a CAGR of approximately 11.47%.

In addition, the Average Unit Price of Zhanjiang City has been lower than that of PRC since the year 2010. The table below summarized the unit price of Zhanjiang City and PRC from the year 2010 to year 2016:

							Discount of Average Unit Price of
		Zhanjiang City			PRC		Zhanjiang
	Sales	Sq.m.	Average Unit	Sales	Sq.m.	Average Unit	City to
Year	revenue	for sale	Price	revenue	for sale	Price	that of PRC
	RMB million	Sq.m. million	RMB	RMB million	Sq.m. million	RMB	%
2010	4,018	1.074	3,740	6,132,184	1,162	5,279	(29.15)
2011	6,216	1.483	4,193	6,897,940	1,222	5,645	(25.72)
2012	9,957	2.000	4,980	7,544,439	1,241	6,077	(18.06)
2013	10,737	2.066	5,196	9,516,163	1,454	6,546	(20.61)
2014	15,620	2.862	5,457	9,017,387	1,361	6,625	(17.63)
2015	16,769	2.942	5,700	10,179,185	1,446	7,041	(19.04)
2016	18,041	3.253	5,545	11,762,700	1,573	7,476	(25.82)

Source: the website of Statistics Bureau of Zhanjiang City (湛江市統計局), National Bureau of Statistics of China (中華人民共和國國家統計局)

We noted that the GDP growth and sale revenue of residential and commercial properties of Zhanjiang City have been increasing at a rate higher than the national level from the year 2010 to 2016, and that the Average Unit Price of Zhanjiang City has been lower than that of PRC since the year 2010. Given that the Average Unit Price of Zhanjiang City is comparatively lower, and that there are no restricted policies on the purchase of the residential properties, it would be a good opportunity for the Group to invest in the residential properties in Zhanjiang City.

Additionally, the steady increase of urbanization Zhanjiang City in the year 2018 will also result in persistent demand for residential and commercial properties. According to Development Plan of Beibuwan Metropolitan Area (北部灣城市群發展規劃) published by National Development and Reform Commission of PRC (中華人民共和國國家發展和改革委員會) in February 2017, Zhanjiang City will be developed into one of the central cities in Beibuwan Metropolitan Area. The government authorities will assist in the development of Zhanjiang City in establishing financial centers and hi-tech industrial parks, promoting cross-border financial services, and providing privileges on the startup of businesses for the entrepreneurs. Given the lower Average Unit Price of Zhanjiang City and the promotion of the aforementioned plans, more and more talents would be attracted to reside in Zhanjiang City, resulting in the steady increase of urbanization and the persistent demand for residential and commercial properties.

Based on the foregoing, we consider that (a) the outpaced growth in the economy and the real estate market in Zhanjiang City, (b) the low Average Unit Price of Zhanjiang City, and (c) the steady increase of urbanization are expected to present favorable business opportunities for the Enlarged Group in Zhanjiang City.

6. The Valuation

(1) The Valuer

The Lands and the Target Group were valued by Malcolm & Associates Appraisal Ltd, an independent property valuer appointed by the Company. We noted that the Valuer is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Path), who has over 20 years' experience in valuations of properties in Hong Kong and the PRC. Besides, the Valuer confirmed that (a) it is independent from the Company; (b) all relevant material information provided by the Company had been incorporated in the Valuation Report; and (c) there were no other material relevant information or representations relating to the Property provided or made by the Company to the Valuer not having been included in the valuation.

(2) Valuation Methodology

We noted from the Valuation on the Lands of the Target Group set out in Appendix IV to the Circular that the Valuer has assumed that the project will be developed and completed in accordance with the development plan provided by the Company and adopted the following valuation methodologies:

- (a) the Valuer has adopted the direct comparison method assuming sale in its existing state and use with the benefit of vacant possession and by making reference to direct and most similar comparable sales evidence as being available in the market (the "Direct Comparison Method"); and
- (b) the Valuer has made appropriate adjustments to account for the differences between the Lands and the comparable properties in terms of location, accessibility, size, time, age, layout and other relevant factors in order to arrive at a market value.

We also noted from the Valuation on the Target Group set out in Appendix V to the Circular that the Valuer has adopted the asset-based approach to value the Target Group on the basis of its market value.

Based on above, we have discussed with the Valuer on the rationale of adopting the different valuation methodologies for valuing the Lands and the Target Group. According to the Valuer, the Direct Comparison Approach is the most appropriate valuation method for assessing the market values of the Lands, while the asset-based approach is the most appropriate valuation method for assessing the market values of the Target Group.

After considering the reasons for the Valuer's choice of the adoption of various methodologies, we concur with the Valuer that the valuation methodologies used are reasonable and acceptable in establishing the market values of the properties attributable to the Target Group as at 15 December 2017.

(3) Valuation assumption on the Lands of the Target Group

In arriving at the appraised value for the Lands, the Valuer starts the process by collecting and analyzing the recent transactions in the properties and other properties located in the same city of the subject property (the "Comparable Properties").

We noted that the Valuer has made the assumption for the valuation of the Lands that the legal interest in the Lands was sold in the market in its existing state and use without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would affect the market value of the legal interest in the Lands.

After taking into account the above, we consider that the basis and assumption adopted by the Valuer for the valuation methodologies as discussed above are reasonable and in line with market practice.

(4) Valuation assumption on the Target Group

In arriving at the appraised value for the Target Group, save for the valuation of the Lands, the Valuer also analyzed the recoverable amount of the receivables.

We noted that the Valuer has made the assumption for the valuation of the Target Group, including:

- (a) all licenses issued by any authorized entity that will materially affect the operation of Target have been obtained or can be obtained upon request;
- (b) the market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- (c) there will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdiction where Target operates;
- (d) the core operation of Target will not differ materially from those of present or expected;
- (e) the information in respect of Target have been prepared after due and careful consideration by the senior management of the Company;
- (f) there will be no human disruptions or natural disasters that will materially affect the operation of Target; and
- (g) there is no other asset held by Guangdong Merchants Investment and Hoifu Wai Yip Investment except the land use rights.

After taking into account the above, we consider that the basis and assumption adopted by the Valuer for the valuation basis and assumption as discussed above are reasonable and in line with market practice.

7. Evaluation on the consideration of the Lands

(1) Basis of the consideration of the Lands

The consideration was based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor, with reference to the valuation of the Lands carried out by the independent Valuer which conducted that the valuation amount of the Lands as at 15 December 2017 is approximately RMB1,150,000,000, in accordance to the valuation report in Appendix IV to the Circular (the "Valuation Report").

To assess the fairness and reasonableness of the consideration, we have reviewed the details of the Comparable Properties set out in the Valuation Report, and compared the unit rate in terms of the accommodation value (the "Unit Rate") of the Lands to that of the Comparable Properties. The maximum and the minimum of the Unit Rate among the Comparable Properties are RMB2,890 and RMB720 (the "Unit Rate Range"), respectively. The Unit Rate of the Lands is approximately RMB1,177 (the market value of the Lands as at 15 December 2017 divided by the total planned gross floor area), which falls in the Unit Rate Range. Therefore, we are of the view that the consideration of the Lands is fair and reasonable.

(2) Evaluation on the premium of the consideration over the Original Investment Cost

The Directors are of the view that the consideration for the Acquisition is fair and reasonable although it is substantially higher than the Original Investment Cost. To further assess the fairness and reasonableness of the consideration, we set out the following analysis for illustrative purposes:

- (a) as depicted under the section headed "Market Outlook", according to the Statistics Bureau of Zhanjiang City (湛江市統計局) and the National Bureau of Statistics of China (中華人民共和國國家統計局), the GDP growth and sale revenue of residential and commercial properties of Zhanjiang City have been increasing at a rate higher than the national level from the year 2010 to 2016, whereas the Average Unit Price of Zhanjiang City has been lower than that of PRC since the year 2010. It would be a good opportunity for the Group to invest in the residential properties in Zhanjiang City.
- (b) as disclosed in the Ministry of Land and Resources of Zhanjiang City (湛江市國 土資源部), there were no more land parcels located in the vicinity of the Lands to acquire up to the date of the Acquisition. The Group will be unable to capture a favorable business opportunity in the future in the event that they failed to acquire the Lands at the date of the Acquisition; and

(c) as disclosed in the Ministry of Land and Resources of Zhanjiang City (湛江市國 土資源部), two land parcels, which are located in Zhanjiang City, were auctioned on 8 December 2017, the closest date to the valuation date 15 December 2017. The Average Unit Price of the Lands is lower than that of the auctioned land parcels mentioned in the below chart. Details of the auction are summarized as follows:

Description of the land parcels	Usage	Total consideration RMB'000	Site area sq.m.	Average Unit price RMB per sq.m.
A parcel of land located by south of Tiyu Road West and west of Mingzheng Road, Zhanjiang City	Residential and commercial use	446,000.00	20,057.65	22,235.90
A parcel of land located by south of Tiaoshen East 2nd Road, west of Caoyang Road, and north of Tiaoshen East 1st Road	Residential and commercial use	2,645,000.00	111,691.81	23,681.23
Lands	Residential and commercial use	1,100,000.00	265,764.19	4,139.01

Considering (a) the outpaced growth in the economy and the real estate market in Zhanjiang City; (b) the limited supply of the land parcels; (c) the valuation result of the Lands; and (d) the lower Unit price of the land parcel of the Lands than the auctioned land parcels mentioned under the section headed "Evaluation on the premium of the consideration over the Original Investment Cost", we are of the view that the Acquisition is in the interest of the Company and its Shareholders.

8. Principal terms of the Convertible Note

As disclosed the under the section headed "Principal terms of the Agreement", the remaining balance of RMB1,000.00 million (equivalent to approximately HK\$1,156.40 million) shall be satisfied by the Issuance. The table below summarizes the major terms of the Convertible Note:

Issuer: The Company

Principal amount: RMB1,000.00 million (equivalent to approximately

HK\$1,156.40 million)

Issued price: 100.00% of the principal amount of the Convertible Note

Interest: Nil

Maturity date: The fifth anniversary of the date of the Issuance

Conversion price: The initial conversion price is HK\$0.70, subject to

adjustments in accordance with the terms and conditions of

the Convertible Note.

Events triggering adjustments include share consolidation, share subdivision, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity

derivatives issues.

Conversion rights: The Convertible Note carries the rights to convert the whole

or part of its principal amount into Conversion Shares at the initial conversion price of HK\$0.70 per Conversion Share during the conversion period at the discretion of the holder(s) of the Convertible Note provided that the allotment and issue of the Conversion Shares upon exercise of the conversion right will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08

of the Listing Rules.

Application of listing: No applications will be made by the Company to the Stock

Exchange or any other stock exchange for the listing of the

Convertible Note.

Early Redemption: The Company has the right to redeem the Convertible Note at

any time before the maturity date at 100.00% of the

outstanding principal amount of the Convertible Note.

Transferability: The Convertible Note shall be freely transferable to any

person, provided that any transfer to a connected person of the Company are subject to compliance with the relevant requirements and provisions under the Listing Rules and

applicable laws and regulations.

Further details of other principal terms of the Convertible Note are set out in the section headed "Principal terms of the Convertible Note" of the Letter from the Board.

9. Analysis on the Convertible Note

(1) Evaluation of the conversion price

The initial conversion price of HK\$0.70 represents:

- (a) a discount of approximately 22.22% to the closing price of HK\$0.900 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 12.50% to the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 17.26% to the average of the closing prices of approximately HK\$0.846 per Share as quoted on the Stock Exchange over the last five trading days up to and including the Last Trading Day;

- (d) a discount of approximately 16.37% to the average of the closing prices of approximately HK\$0.837 per Share as quoted on the Stock Exchange over the last ten trading days up to and including the Last Trading Day; and
- (e) a premium of approximately 85.19% over the net asset value of approximately HK\$0.378 per Share, calculated based on the consolidated net asset attributable to owners of the Company of approximately HK\$953.49 million as at 30 June 2017 and 2,521,280,885 Shares in issue as at the Latest Practicable Date.

As set out in the Letter from the Board, the conversion price was arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to the market price of the Shares at the time of negotiation of the Acquisition and the trend of the share price movement during the six-month period immediately preceding the Last Trading Day.

In order to further assess the fairness and reasonableness of the conversion price, we set out the following analysis for illustrative purposes:

(i) Review of H Share Price

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 29 July 2016 up to and including 28 July 2017 (the "Review Period"), being a period of one year prior to the date of the Agreement. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:

Historical daily closing price per Share



Source: the website of the Hong Kong Stock Exchange

As shown by the above table, during the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.66 recorded on 10 August 2016 and HK\$0.99 recorded on 2 May 2017 respectively, with an average daily closing price of the Shares of approximately HK\$0.77, representing a premium of 10.00% over the conversion price. The conversion price of HK\$0.70 is within the range of the lowest and highest daily closing prices as quoted on the Stock Exchange.

We noted that, on 5 September 2016, the closing price of the Shares increased sharply to HK\$0.79, which was mainly due to the disposal of the equity interests. The Group recorded a consolidated net income for the year ended 2016. We also noted that, on 2 May 2017, the closing price of the Shares increased sharply to HK\$0.99, which was mainly attributable to the announcement of repurchase of shares. Therefore, based on the aforementioned reasons, we consider that the closing prices of the Shares between 5 September 2016 and the Last Trading Day were relevant to the evaluation of the conversion price.

As illustrated above, considering that (a) the conversion price is within the range of the lowest and highest daily closing prices during the Review Period; (b) the Convertible Note is non-interest bearing for the Group, which may release the financial burden for the Group, we are of the view that it is fair and reasonable to set the conversion price of HK\$0.70.

(ii) Market comparison with other convertible notes/bonds

As part of our analysis to assess the fairness and reasonableness of the terms of the Issuance, we have identified an exhaustive list of 21 transactions (the "Market Comparables") based on the following criteria: (a) subscription or placing of convertible notes/bonds by companies listed on the Hong Kong Stock Exchange during the twelve-month period from 29 July 2016 up to the date of the Agreement and had proceeded to completion on or before the date of the Agreement; and (b) the issuance by connected person(s).

Premium/

		Date of		Annual	(discount) of issue price to closing price of the shares on last
Company	Stock code	announcement	Maturity	interest rate	trading day
•			year	%	%
Suncity Group Holdings Limited	1383	2017/7/27	2.00	_	57.90
Eminence Enterprise Limited	616	2017/8/7	3.00	3.00	1.69
PPS International (Holdings) Limited	8201	2017/6/15	1.00	_	3.45
Madison Wine Holdings Limited	8057	2017/2/9	5.00	_	(44.72)
Victory City International Holdings Limited	539	2017/4/25	2.00	5.00	11.11
Prosperity International Holdings (H.K.) Limited	803	2016/10/26	3.00	5.00	5.63
HMV Digital China Group Limited	8078	2016/12/13	4.00	5.00	(18.70)
China Soft Power Technology Holdings Limited	139	2016/11/28	2.00	-	0.00
Eminence Enterprise Limited	616	2017/3/1	5.00	3.00	1.91
Chinlink International Holdings Limited	997	2017/2/2	2.00	3.00	(1.70)
Grand Field Group Holdings Limited	115	2017/2/24	1.50	3.00	(11.40)
Tus International Limited	872	2017/3/1	2.00	6.00	23.01
Midland IC&I Limited	459	2017/1/10	4.00	_	(4.20)
Tesson Holdings Limited	1201	2017/1/17	19.50	3.00	45.45
Wuling Motors Holdings Limited	305	2016/10/13	3.00	4.00	22.80
Suncity Group Holdings Limited	1383	2016/9/20	2.00	-	4.00
Lee & Man Handbags Holding Limited	1488	2016/9/18	5.00	3.00	(5.60)
Sino Energy International Holdings Group Limited	1096	2016/8/31	2.00	7.50	11.44
		Maximum	19.50	7.50	57.90
		Minimum	1.00	-	(44.72)
		Average	3.78	2.81	5.67
The Company	7	2017/7/28	5.00	-	(12.50)

As illustrated in the table above, the conversion prices of the Market Comparables ranged from a discount of approximately 44.72% to a premium of approximately 57.90% to/over the respective closing prices of their shares on the last trading day (the "LTD Range"), with an average premium of approximately 5.67% (the "LTD Average"). We note that the discount of the conversion price of the Company is lower than the LTD Average.

Considering that (a) the Convertible Note is non-interest bearing for the Group, which may save the interest expenses for the Group; (b) the discount of the conversion price of the Company falls in the LTD Range; and (c) the maturity of the Company's Convertible Note ranks the second among the Market Comparables, which may release the financial burden of the Group in the short term, we therefore consider that the Conversion Price is fair and reasonable.

(2) Evaluation on Interest rate

As illustrated in the table above, the Market Comparables bear interest rates from nil to 7.50% per annum, with an average interest rate of approximately 2.81% per annum. The interest rate of the Convertible Note is below the average interest charged by the Market Comparables. Taking into account that the interest-free Convertible Note will save the Group interest expenses, we are of the view that the zero interest rate of the Convertible Note is fair and reasonable.

(3) Evaluation on Maturity

As illustrated in the table above, the Market Comparables have the maturity ranged from 1 year to 19.5 years, with an average maturity of approximately 3.78 years. The maturity of the Convertible Note falls within such market range and is higher than the average maturity. Therefore, we are of the view that the maturity of the Convertible Note is fair and reasonable.

In view of all the foregoing, we consider that the principal terms of the Convertible Note are fair and reasonable so far as the Independent Shareholders are concerned.

10. Dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed "Shareholding Structure of the Company" of the Letter from the Board, upon the full conversion of Convertible Note, the shareholding interests of the existing public Shareholders would be diluted from approximately 27.98% to 25.00%, representing a dilution of approximately 2.98%. Nonetheless, in view of (a) the reasons for and the benefits of entering into the Agreement, details of which are set out under the section under "Reasons for and benefits of the Acquisition" of this letter; and (b) the terms of the Convertible Note being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

11. Financial impact of the Acquisition to the Group

(1) Assets and liabilities

With reference to the unaudited pro forma financial information of the Enlarged Group as at 30 September 2017 set out in Appendix III to the Circular, upon completion of the Acquisition and assuming that the Acquisition was completed on 30 September 2017, the total assets of the Group would have increased from approximately HK\$1,575,367,000 to approximately HK\$2,821,164,000 on a pro forma basis. The total liabilities of the Group would have increased from approximately HK\$486,892,000 to approximately HK\$1,732,689,000 on a pro forma basis. The net assets of the Group would remain unchanged on a pro forma basis.

(2) Gearing ratio

The gearing ratio of the Group is measured as the total of borrowings and bonds over the total assets of the Group. According to the unaudited pro forma financial information of the Enlarged Group as at 30 September 2017 set out in Appendix III to the Circular, upon completion of the Acquisition and assuming that the Acquisition was completed on 30 September 2017, the gearing ratio of the Enlarged Group would increase from approximately 4.48% to approximately 39.60%. Since the terms of Convertible Note are considered to be fair and reasonable and there is no material cash outflow for the Group, we are of the view that the increase in gearing ratio is acceptable.

(3) Earnings

With reference to the unaudited pro forma financial information of the Enlarged Group for the year ended 31 December 2016 set out in Appendix III to the Circular, upon completion of the Acquisition and assuming that the Acquisition was completed on 31 December 2016, the profit for the year of the Group would have increased from approximately HK\$3,145,000 to approximately HK\$84,840,000 as a result of the Acquisition.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial positions and performance of the Group will be after the entering into of the Agreement. Having considered (a) the reasons for and the benefits of entering into the Agreement, details of which are set out under the section under "Reasons for and benefits of the Acquisition" of this letter; and (b) positive impact on earnings, we consider that the Issuance is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (a) the terms of the Agreement and Convertible Note are fair and reasonable so far as the Independent Shareholders are concerned; (b) the connected transaction is on normal commercial terms and in the ordinary and usual course of business of the Company; and (c) the connected transaction is in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the SGM to approve the Agreement, the Issuance, and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the six months ended 30 June 2017 and each of the three years ended 31 December 2016, 2015 and 2014 are disclosed in the interim report of the Company for the six months ended 30 June 2017 and the annual reports of the Company for the year ended 31 December 2016, 2015 and 2014 respectively. The said interim report and annual reports of the Company are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hoifuenergy.com):

- interim report of the Company for the six months ended 30 June 2017 from pages 18 to 40 published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0925/LTN20170925374.pdf);
- annual report of the Company for the year ended 31 December 2016 from pages 80 to 187 published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271328.pdf);
- annual report of the Company for the year ended 31 December 2015 from pages 57 to 159 published on the website of the Stock Exchange (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN201604281016.pdf); and
- annual report of the Company for the year ended 31 December 2014 from pages 50 to 143 published on the website of the Stock Exchange (http://www.hkexnews.hk/ listedco/listconews/SEHK/2015/0429/LTN20150429233.pdf).

2. INDEBTEDNESS STATEMENT

As at 30 November 2017, the Enlarged Group had unsecured and unguaranteed loans from Directors, Dr. Hui and Mr. Nam Kwok Lun, of approximately HK\$200.96 million and HK\$84.94 million respectively.

As at 30 November 2017, the Enlarged Group had unsecured and unguaranteed borrowing from PAL Finance Limited, a wholly-owned subsidiary of Asia Tele-Net and Technology Corporation Limited, of HK\$60.00 million.

As at 30 November 2017, the Enlarged Group had outstanding corporate bonds of principal amount of HK\$21.00 million.

Save as aforementioned and apart from intra-group liabilities, as at the close of business on 30 November 2017, being the latest practicable date for the purpose of determining this indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the effects of the Acquisition and the present internal financial resources available to the Enlarged Group including the internally generated funds and the available banking facilities, the working capital available to the Enlarged Group is sufficient for its requirements for at least 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 June 2017, the sale of 45.00% equity interest of Hebei Panbao from the original shareholder to Hoifu United Group Limited was completed in March 2017 and the profit guarantee provided by Hoifu United Group Limited started thereafter. Since Hebei Panbao underwent a major transition during the six months ended 30 June 2017, the performance of Hebei Panbao was adversely affected. The revenue generated from Hebei Panbao decreased significantly by approximately 61.74% from approximately HK\$75.11 million for the six months ended 30 June 2016 to approximately HK\$28.74 million for the six months ended 30 June 2017.

Furthermore, the revenue of the financial business of the Group declined by 26.11% from approximately HK\$14.90 million for the six months ended 30 June 2016 to approximately HK\$11.01 million for the six months ended 30 June 2017 as a result of the decreases in interest income from client and the advisory and consultancy fee.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in the business of (i) trading of natural resources; (ii) petrochemical production; (iii) oil and gas exploration and production; (iv) mineral mining; (v) hotel operation management; (vi) large-scale indoor parking and commercial real estate operation management; and (vii) provision of financial services.

As disclosed in the interim report of the Company, revenue from mineral mining business of Hebei Panbao deteriorated significantly during the first half of 2017 as it was undergoing a transition period following the change in shareholder/operational management of Hebei Panbao in March 2017 and revenue from financial services also showed a drop owing to the decrease in interest income from client and advisory and consultancy fee. Despite the unsatisfactory performance of the business segments of mineral mining and financial services, the Directors are cautiously optimistic about the future development of the Group as the resumption of the Group's trading business, which was suspended in the second half of 2015, has started to contribute revenue to the Group and rental income from property in Beijing shall also continue to provide a stable income source to, and generate profit for, the Group in the coming year.

Meanwhile, upon Completion, the Group shall expand its footstep into the property development market in the PRC. The management of the Group is of the view that the long-term prospect of the PRC property market is promising in view of the PRC's continuous economic growth, the rising early-stage urbanization, regional development boosted by city clusters and the continued increase in the citizens' financial capability. The Group shall continue its business strategy to make investments in development projects with economic growth potential alongside with the existing businesses so as to expand its revenue source, improve its profitability and maintain a sustainable growth. As at the Latest Practicable Date, the Company had no current plans, intentions, negotiations or preliminary understandings to dispose of or downsize, partly or wholly, any of the current business segments. The management of the Group believes the recent strategic development of the Group will create long-term and strategic benefits to the Company.

The following is the text of a report received from the Company's reporting accountants, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



10/F, 8 Observatory Road, Tsimshatsui, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEW GUANGDONG MERCHANTS INVESTMENT HOLDING GROUP LIMITED

Introduction

We report on the historical financial information of New Guangdong Merchants Investment Holding Group Limited (the "Target") and its subsidiaries (collectively referred to as "Target Group") set out on pages 61 to 88, which comprises the consolidated statement of financial position as at 31 December 2015, 2016 and 30 September 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of change in equity and consolidated statement of cash flows for each of the period from 7 August 2015 (date of incorporation) to 31 December 2015, year ended 31 December 2016 and nine months ended 30 September 2017 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Historical Financial Information"). The Historical Financial Information set out on pages 61 to 88 form an integral part of this report which has been prepared for inclusion in the circular dated 29 January 2018 issued by Hoifu Energy Group Limited in connection with the acquisition of entire issued share capital of the Target (the "Circular").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the management accounts of the Target Company and its subsidiary for the Relevant Periods. The directors of the Target are responsible for the preparation of the Target Group's consolidated financial statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), as appropriate, and for such internal control as the directors determine is necessary to enable the preparation of Target Group's consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2015, 2016 and 30 September 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Target Group incurred a net loss of RMB2,558,000 during the period ended 30 September 2017 and, as of that date, the Target Group's current liabilities exceeded its total assets by RMB2,615,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

ACCOUNTANTS' REPORT ON THE TARGET GROUP

APPENDIX II

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and

Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial

Statements as defined on page 61 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which states that no dividends

have been paid by the Target in respect of the Relevant Periods.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

29 January 2018

Yip Kai Yin

Practising Certificate No.: P05131

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Nine months ended 30 September 2017 RMB'000	Nine months ended 30 September 2016 RMB'000 (unaudited)	Year ended 31 December 2016 RMB'000	Period from 7 August 2015 (date of incorporation) to 31 December 2015 RMB'000
Revenue	4	_	-	_	-
Other income	5	12	_	_	_
Administrative expenses		(2,570)		(39)	(19)
Loss before taxation	6	(2,558)	_	(39)	(19)
Taxation	8		<u>-</u> .		
Loss and total comprehensive expenses attributable to the owners of the company for period/year		(2,558)		(39)	(19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at		_
		30 September	As at 31 De	
	Notes	2017 RMB'000	2016 RMB'000	2015 <i>RMB</i> '000
Non-current assets				
Plant and equipment		24	-	_
Deposits paid for acquisition				
of land use rights	12	_	27,920	_
Land use rights	13	155,386		
		155,410	27,920	
Current assets				
Other receivables, prepayments				
and deposits	14	11,633	10,197	_
Bank balances and cash	15	140	8	3
		11,773	10,205	3
Current liabilities				
Other payables and				
accrued expenses	16	31	_	_
Amount due to a shareholder	17	169,767	38,182	21
		169,798	38,182	21
Net current liabilities		(158,025)	(27,977)	(18)
Total assets less current				
liabilities		(2,615)	(57)	(18)
Net liabilities		(2,615)	(57)	(18)
Capital and reserves				
Share capital	18	1	1	1
Reserves		(2,616)	(58)	(19)
Total equity		(2,615)	(57)	(18)
* *				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Accumulated loss RMB'000	Total RMB'000
At 7 August 2015 (date of incorporation)	1	-	1
Loss and total comprehensive expenses for the period		(19)	(19)
At 31 December 2015	1	(19)	(18)
Loss and total comprehensive expenses for the year		(39)	(39)
At 31 December 2016	1	(58)	(57)
Loss and total comprehensive expenses for the period		(2,558)	(2,558)
At 30 September 2017	1	(2,616)	(2,615)
At 1 January 2016	1	(19)	(18)
Loss and total comprehensive expenses for the period			
At 30 September 2016 (unaudited)	1	(19)	(18)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Nine months ended 30 September 2017 RMB'000	Nine months ended 30 September 2016 RMB'000 (unaudited)	Year ended 31 December 2016 RMB'000	Period from 7 August 2015 (date of incorporation) to 31 December 2015 RMB'000
Operating activities Loss before taxation		(2,558)		(39)	(19)
Adjustments for: Interest income		(12)		(39)	(17)
Amortisation of land use right		1,014	_	_	_
Depreciation of plant and equipment		1,014	_		_
		1			
Operating cash flows before movements in working		(1.555)		(20)	(10)
capital Increase in other receivables,		(1,555)	_	(39)	(19)
prepayment and deposits Increase in other payables		(1,436)	_	(10,197)	-
and accrued expenses		31	_		
Net cash used in operating activities		(2,960)	_	(10,236)	(19)
Investing activities Purchases of plant and equipments Payments for acquisition of land use rights Interest received on bank deposit		(25) (128,480) ————————————————————————————————————	- - -	(27,920)	- -
Net cash used in investing activities		(128,493)		(27,920)	
Financing activities Issue of share capital Advance from a shareholder		131,585	- -	38,161	1 21
Net cash from financing activities		131,585		38,161	22
Net increase in cash and cash equivalents Cash and cash equivalents at		132	-	5	3
1 January/7 August		8	3	3	
Cash and cash equivalents at 30 September/31 December		<u>140</u> :	3	8	3
Analysis of the balances of cash and cash equivalents Bank balances and cash		140	3	8	3
					<u> </u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General

The Target is a company incorporated in the British Virgin Islands (the "BVI") with limited liability. The address of the registered office and the principal place of business of Target is 3rd Floor, J & C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG1110.

The Target is an investment holding company. The Target Group are principally engaged in the investment properties in the PRC.

The functional currency of the Target is Renminbi ("RMB"). The consolidated financial statements are presented in RMB in thousands, which is the same as the functional currency of the Target.

2. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied all HKFRSs which are effective for the financial year beginning on 1 January 2017 throughout the Relevant Periods.

As at 30 September 2017, the Target Group had net current liabilities of RMB158,025,000. The Target Group's continuance in business as a going concern is dependent upon is ability to obtain continuous financial supports from the shareholder. The Historical Financial Information have been prepared on a going concern basis because its shareholder has agreed to provide adequate funds to enable the Target Group to meet in full its financial obligations as they fall due for the foreseeable future.

Should the Target Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the values of assets to their recoverable amounts, to provide for any further liabilities which might arises, and to reclassify non-current assets as current assets respectively.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments to standards and interpretation that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HKFRS 17	Insurance Contracts ⁵
HK(IFRIC)-Int 22	Foreign Currency Transactions and
	Advance Consideration ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment ³
Amendments to HKFRS 2	Classification and Measurement of
	Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with
	HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10	Sale or Contribution of Assets between an
and HKAS 28	Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRSs	Annual Improvements to
	HKFRSs 2014-2016 Cycle ¹

Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors anticipate that the application of these new and amendments to HKFRSs and interpretation, other than those set out below, will have no material impact on the Historical Financial Information.

² Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

⁴ Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

No mandatory effective date but is available for early adoption.

3. Significant Accounting Policies

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis at the end of each Relevant Periods, as explained in the accounting policies set out below.

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 Target 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target and entities controlled by the Target and its subsidiaries. Control is achieved when the Target:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Target and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target and to the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating transaction between member of the Target Group are eliminated in full on consolidation.

Revenue recognition

The Group did not generate any revenue during the relevant periods.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) over their estimated useful lives, using the straight-line method, at the following rates per annum:

Plant and Equipment

20%

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

The deposits paid for acquisition of land use rights represented the consideration paid by the Target Group to obtain land use rights at 湛江經濟技術開發區 with total area of approximately 265,764 mu. The Target Group had planned to use the land for construction of housing, retail, and finance.

The deposit paid for acquisition of land use right has been reclassified as non-current assets as the deposit will be transferred and recognised as part of the costs of land use rights.

The up-front payments to acquire leasehold interests in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight-line basis.

Impairment losses on tangible assets

At the end of each Relevant Periods, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis of debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Loans and receivables (including other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial assets because of financial difficulties.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date when impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables and amount due to the shareholder are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provision

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Revenue

The Target Group did not generate any revenue during the Relevant Periods.

5. Other Income

	Nine months ended 30 September 2017 RMB'000	Nine months ended 30 September 2016 RMB'000	Year ended 31 December 2016 RMB'000	Period ended 31 December 2015 RMB'000
Bank interest income	12	(unaudited)		

6. Loss Before Taxation

The Target Group's loss before taxation has been arrived at after charging the following items:

	Nine months ended 30 September 2017 RMB'000	Nine months ended 30 September 2016 RMB'000 (unaudited)	Year ended 31 December 2016 RMB'000	Period from 7 August 2015 (date of incorporation) to 31 December 2015 RMB'000
Amortisation of land use right	1,014	_	_	_
Depreciation	1	_	_	_
Operating lease payments in respect of				
rented premises	146	_	_	-
Staff cost (including directors'				
emoluments)				
- Salaries and other benefits	188	_	_	_
- Retirement benefit contributions	10			

7. Directors' and Employees' Emoluments

The aggregate of the emoluments in respect of the five highest paid individuals who are not a director of the Target during the Relevant Periods are as follows:

				Period from
				7 August 2015
	Nine months	Nine months		(date of
	ended	ended	Year ended	incorporation)
	30 September	30 September	31 December	to 31 December
	2017	2016	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)		
Salaries and other benefits	188	_	-	_
Retirement benefit contributions	10	<u> </u>		
	198		_	

During the Relevant Periods, there was no arrangement under which the Directors waived or agreed to waive any emoluments.

8. Taxation

				Period from
				7 August 2015
	Nine months	Nine months		(date of
	ended	ended	Year ended	incorporation)
	30 September	30 September	31 December	to 31 December
	2017	2016	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)		
Current tax:				
PRC enterprise income tax			_	

The applicable PRC enterprise income tax rate is 25% throughout the Relevant Periods.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Target Group had no assessable profits for the Relevant Periods. Income tax charges for the Relevant Periods can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Nine months ended 30 September 2017 RMB'000	Nine months ended 30 September 2016 RMB'000 (unaudited)	Year ended 31 December 2016 RMB'000	Period from 7 August 2015 (date of incorporation) to 31 December 2015 RMB'000
Loss before taxation	(2,558)		(39)	(19)
PRC enterprise income tax at 25% Tax effect on expenses not deductible	(640)	-	(10)	(5)
for tax purpose	640		10	5
Tax charge for the period/year			_	

9. Loss Per Share

No loss per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

10. Dividends

No dividend was paid or declared by the Target during the Relevant Periods.

11. Plant and Equipment

	Plant and equipment RMB'000
COST:	
At 7 August 2015 (date of incorporation) to 31 December 2016,	
at 1 January 2017	-
Addition	25
At 30 September 2017	25
ACCUMULATED DEPRECIATION	
At 7 August 2015 (date of incorporation) to 31 December 2016,	
at 1 January 2017	_
Provided for the period	(1)
At 30 September 2017	(1)
CARRYING AMOUNTS	
At 30 September 2017	24
At 31 December 2016	
At 31 December 2015	

The above items of plant and equipment are depreciated over their estimated useful lives, after taking into account their estimated residual value, on a straight-line basis, as follows:

Plant and equipment

3-5 years

12. Deposits Paid for Acquisition of Land Use Rights

Deposits paid for acquisition of land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government.

13. Land Use Rights

	Land use rights RMB'000
COST:	
At 7 August 2015 (date of incorporation) to 31 December 2016, at 1 January 2017	_
Addition	156,400
At 30 September 2017	156,400
ACCUMULATED AMORTISATION	
At 7 August 2015 (date of incorporation) to 31 December 2016, at 1 January 2017	_
Provided for the period	(1,014)
At 30 September 2017	(1,014)
CARRYING AMOUNTS	
At 30 September 2017	155,386
At 31 December 2016	
At 31 December 2015	

The above items of land use right are amortised over their estimated useful lives, after taking into account their estimated residual value, on a straight-line basis, as follows:

Land use right

40-70 years

The Target Group's land are erected on land held under medium-term situated in the PRC.

14. Other Receivables, Prepayments and Deposits

	As at		
	30 September	As at 31 De	cember
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Prepayments	59	_	_
Other receivables	1,574	_	_
Deposits (Note)	10,000	10,197	
	11,633	10,197	_

Note:

The amount represented guarantee deposits for construction of properties denominated in RMB. Such guarantee deposits will be released after the completion of construction of the related properties.

15. Bank Balance and Cash

RMB is not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange controls promulgated by the PRC authorities.

The ranges of interest rates on bank balances, with mature days within one year, were ranging from 0.35% to 1.5% per annum as at 31 December 2015, 2016 and 30 September 2017 respectively.

16. Other Payables and Accrued Expenses

	As at 30 September	As at 31 De	ecember
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Payroll and welfare payables	30	_	_
Other tax payables	1		
	31		_

17. Amount Due to a Shareholder

The amount due to a shareholder is unsecured, interests free and repayable on demand.

18. Share Capital

	As at		
	30 September	As at 31 De	cember
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Authorized:			
50,000 ordinary shares of			
USD1 each	310	310	310
Issued and fully paid:			
100 ordinary shares of USD1 each	1	1	1

19. Commitments

Capital commitment

At the end of each Relevant Periods, the Target Group had the following capital commitment:

	As at		
	30 September	As at 31 De	cember
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Acquisition of land use rights		111,640	

20. Capital Risk Management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged in the Relevant Periods.

The capital structure of the Target Group consists of debt, which is the amount due to the shareholder disclosed in Note 17, and equity attributable to owners of the Target, comprising issued paid-in capital, capital reserve and accumulated losses.

The Directors review the capital structure on an annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the results of the review of the Directors, the Target Group will balance its overall capital structure through the payment of dividends, raising new share capital as well as the issue of new debt or the redemption of existing debt.

21. Financial Instruments

Categories of financial instruments

	As at 30 September	As at 31 I	December
	2017	2016	2015
	RMB'000	RMB'000	RMB'000
Financial assets Loan and receivables (including			
bank balances and cash)	11,773	10,205	3
Financial liabilities At amortised cost	169,798	38,182	21

Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables, bank balances and cash, other payables. Details of these financial instruments are set out in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Group's financial instruments are market risk (interest rate risk), credit risk and liquidity risk. The Target Group's overall financial risk management objectives and policies remain unchanged in the Relevant Periods. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Target Group's exposure to cash flow interest rate risk relates to its variable-rate bank balances. No sensitivity analysis has been presented because Target Group's exposure to cash flow interest rate risk is not significant.

Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The credit risk on bank balances is limited because of the concentration of credit risk on liquid funds which are deposited with several banks of high credit ratings. Target Group does not have significant concentration of credit risk.

Liquidity risk

The Target Group actively manages operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As at 30 September 2017, the Target Group had recorded net current liabilities of RMB158,025,000. The sole shareholder of the Target had confirmed its intention to provide continual financial support to the Target Group so as to enable to meet liabilities as and when they fall due.

Fair values measurement of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

22. Company Level Statement of Financial Position

	As at	As at 31 De	o o o m h o m
	30 September 2017	As at 51 De 2016	2015
	RMB'000	RMB'000	RMB'000
Non-current assets			
Interests in subsidiaries			
Current assets			
Bank balances and cash	1	1	1
	1	1 _	1
Current liabilities			
Amount due to the shareholder	40	27	13
	40	27	13
Net current liabilities	(39)	(26)	(12)
Total assets less current liabilities	(39)	(26)	(12)
Net liabilities	(39)	(26)	(12)
Capital and reserves			
Share capital	1	1	1
Reserves	(40)	(27)	(13)
Total equity	(39)	(26)	(12)

Movement of the Target's reserve

	Share capital RMB'000	Accumulated losses RMB'000	Total RMB'000
At 7 August 2015 (date of incorporation)	1	-	1
Loss and total comprehensive expenses for the period		(13)	(13)
At 31 December 2015	1	(13)	(12)
Loss and total comprehensive expenses for the year		(14)	(14)
At 31 December 2016	1	(27)	(26)
Loss and total comprehensive expenses for the period		(13)	(13)
At 30 September 2017	1	(40)	(39)

23. Interests in Subsidiaries

During the Relevant Periods, the Target has equity interests in the following subsidiaries:

	Equity interest attributable to the Target Group as at						
	Place of		30				
Name of	incorporation/	Registered	September	31 Decem	iber	Principal	
subsidiary	establishment	capital	2017	2016	2015	activity	
Directly held: New Guangdong Merchants Investment Holding Limited	Hong Kong	100 ordinary shares	100%	100%	100%	Investment holding	
Indirectly held: 廣東凱富偉業投資管理有限公司 (formerly known as 廣東凱富偉業投資有限公司)	The PRC	RMB100,000,000	100%	100%	-	Property holding	

All subsidiaries of the Target Group are private limited liability company and have adopted 31 December as their financial year end date.

Notes:

No statutory financial statements have been prepared for the subsidiaries for the relevant periods.

24. SUBSEQUENT EVENTS

No significant subsequent events arose after 30 September 2017.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Elite Partners CPA Limited, in respect of the unaudited pro forma financial information of the Enlarged Group.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying illustrative unaudited pro forma financial information of the Group ("Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the proposed acquisition (the "Acquisition") of entire issued share capital of New Guangdong Merchants Investment Holding Group Limited (the "Target") (together with its subsidiaries collectively referred to as the "Target Group") (the Target Group together with the Group hereinafter referred to as the "Enlarged Group").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2017 have been prepared based on (1) the unaudited consolidated statement of financial position of the Group as at 30 June 2017, which has been extracted from interim report of the Company for the six months ended 30 June 2017 and (2) the audited consolidated statement of financial position of the Target Group as at 30 September 2017, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular as if the Acquisition has been completed on 30 June 2017.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2016 have been prepared based on (1) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2016, which have been extracted from the annual report of the Company for the year ended 31 December 2016 and (2) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Target Group for the year ended 31 December 2016, which have been extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular as if the Acquisition has been completed on 1 January 2016.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, to provide information of the Group as if the Acquisition had been completed as at 30 June 2017. As it is prepared for illustration purpose only, because of its hypothetical nature, it does not purport to give a true picture of the financial position, results of operation or cash flows of the Enlarged Group had the Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the published (1) annual report of the Company for the year ended 31 December 2016 and (2) other financial information included elsewhere in the Circular.

(I) Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 September 2017

	The Group HK\$'000 (Unaudited)	The Target Group HK\$'000 (Audited)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$'000 (Unaudited)
	(Note 1)	(Note 2)	(Chadanca)		(Chadared)
N.					
Non-current assets	15(22(20			177.074
Property, plant and equipment	176,336	28			176,364
Investment properties	576,100	_			576,100
Intangible assets	43,806	-			43,806
Exploration and evaluation assets	2,886	-			2,886
Available-for-sale securities	1,476	-			1,476
Statutory deposit	4,078	-			4,078
Loans receivable	12,482	-			12,482
Prepaid land leases/land use rights	6,659	182,322	1,166,968	3	1,355,949
	823,823	182,350			2,173,141
Current assets					
Inventories	129,852	_			129,852
Prepaid land leases	174	_			174
Accounts receivable	165,119	_			165,119
Loans receivable	1,917	_			1,917
Other receivables,	-,, -,				-,, -,
prepayments and deposits	192,502	13,650			206,152
Pledged fixed deposits	1,2,002	15,000			200,102
(general accounts)	5,234	_			5,234
Bank balances (trust and	-,				-,
segregated accounts)	129,498	_			129,498
Bank balances (general account)	127,170				127,170
and cash	127,248	164	(117,335)	3	10,077
and outil	127,210	104	(117,555)	5	10,077
	751,544	13,814			648,023

	The Group HK\$'000 (Unaudited) (Note 1)	The Target Group HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$'000 (Unaudited)
Current liabilities					
Trade payable	184,603	_			184,603
Other payables and accrued expenses Amount due to	96,690	36			96,726
Directors/Shareholders	110,630	199,196			309,826
Tax payables/(recoverable)	12,499				12,499
	404,422	199,232			603,654
Net current assets/(liabilities)	347,122	(185,418)			44,369
Total assets less current liabilities	1,170,945	(3,068)			2,217,510
Non-current liabilities					
Convertible Bonds	-	-	1,046,565	3	1,046,565
Deferred tax liabilities	11,880	-			11,880
Corporate bonds	10,590	-			10,590
Borrowings	60,000				60,000
	82,470				1,129,035
Net assets/(liabilities)	1,088,475	(3,068)			1,088,475
Capital and reserve					
Share capital	252,128	1	(1)	3	252,128
Reserve	701,366	(3,069)	3,069	3	701,366
Equity attributable to owners of					
the Company	953,494	(3,068)			953,494
Non-controlling interests	134,981				134,981
Total equity	1,088,475	(3,068)			1,088,475

(II) Unaudited Pro Forma Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 31 December 2016

	The Group HK\$'000 (Audited) (Note 1)	The Target Group HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$`000 (Unaudited)
	(Note 1)	(Note 2)			
Revenue	136,569	-			136,569
Cost of goods sold	(66,709)				(66,709)
Gross profit	69,860				69,860
Other income	26,892	_			26,892
Other gains and losses	(3,301)	_	105,975	4	102,674
Selling and distribution costs	(1,048)		103,773	7	(1,048)
Administrative expenses	(73,416)	(46)	(24,234)	5	(97,696)
Impairment loss on exploration and	(75,110)	(10)	(21,231)	5	(77,070)
evaluation assets	(2,003)				(2,003)
Profit/(loss) from operation	16,984	(46)			98,679
Finance costs	(6,457)				(6,457)
Profit/(loss) before taxation	10,527	(46)			92,222
Taxation	(7,382)	(40)			(7,382)
1 daditon	(1,362)				(1,302)
Profit/(loss) for the year Other comprehensive expenses items	3,145	(46)			84,840
that may be reclassified subsequently to profit or loss: - Exchange differences arising					
on translation	(31,719)	_	(85,959)	6	(117,678)
- Fair value gain on	(-))		(,,		(,,,,,,
available-for-sale securities	144				144
Other comprehensive expenses					
for the year	(31,575)				(117,534)
Total comprehensive expenses					
for the year	(28,430)	(46)			(32,694)

	The Group HK\$'000 (Audited) (Note 1)	The Target Group HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$'000 (Unaudited)
Profit/(loss) for the year attributable to:					
Owners of the Company	(4,621)	(46)	105,975 (24,234)	4 5	77,074
Non-controlling interests	7,766		(21,231)		7,766
	3,145	(46)			84,840
Total comprehensive expense for the year attributable to:					
Owners of the Company	(21,027)	(46)	105,975 (24,234)	4 5 6	(25,291)
Non-controlling interests	(7,403)		(85,959)	0	(7,403)
	(28,430)	(46)			(32,694)

(III) Unaudited Pro Forma Consolidated Statement of Cash Flows for the year ended 31 December 2016

	The Group HK\$'000 (Audited) (Note 1)	The Target Group HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$'000 (Unaudited)
Cash flows from operating activities					
Profit/(Loss) before taxation	10,527	(46)	105,975 (24,234)	<i>4 5</i>	92,222
Adjustments for:					
Interest income	(7)	_			(7)
(Reversal)/provision of allowance					
bad and doubtful debts	(2,512)	-			(2,512)
Depreciation	8,465	-			8,465
Amortisation	5,225	-	24,234	5	29,459
Impairment loss on exploration and					
evaluation assets	2,003	-			2,003
Loss on disposal of subsidiary	817	-			817
Fair value change of convertible bonds			(105 075)	4	(105.075)
convertible bonds			(105,975)	4	(105,975)
Operating cash flows before					
movements in working capital	24,518	(46)			24,472
Increase in inventories	(60,498)	_			(60,498)
Decrease in statutory deposits	221	_			221
Increase in loan receivables	(11,366)	_			(11,366)
Increase in accounts receivable	(14,081)	_			(14,081)
Decrease/(Increase) in other receivables,					
prepayments and deposits	120,100	(11,915)			108,185
Increase in bank balances					
(trust and segregated accounts)	(68,607)	_			(68,607)
Increase in account payables	68,320	-			68,320
Increase in other payables and					
accrued expenses	88,387				88,387
Cash generated from operations	146,994	(11,961)			135,033
Taxation paid	(3,310)	(11,501)			(3,310)
Inversor hara	(3,310)				(3,310)
Net cash generated					
from operating activities	143,684	(11,961)			131,723

	The Group HK\$'000 (Audited) (Note 1)	The Target Group HK\$'000 (Audited) (Note 2)	Pro forma adjustments HK\$'000 (Unaudited)	Notes	Pro forma amount of the Enlarged Group HK\$'000 (Unaudited)
Cash flow from investing activities					
Purchases of fixed assets	(8,609)	-			(8,609)
Payment for acquisition of					
land use rights	_	(32,624)			(32,624)
Acquisition of subsidiaries	(43,940)	-	(126,300)	7	(170,240)
Proceeds from disposal of subsidiary	3,446	-			3,446
Purchase of available-for-sale securities	(1,296)	-			(1,296)
Placement in pledged fixed deposits	(13)	-			(13)
Interest received on bank deposits	7				7
Net cash used in investing activities	(50,405)	(32,624)			(209,329)
Cash flows from financing activities					
Proceeds from issuance of shares	35,000	_			35,000
Payments for repurchases of share	(8,326)	_			(8,326)
(Decrease)/Increases in amount					
due from Directors	(21,239)	44,593			23,354
Net cash generated from					
financing activities	5,435	44,593			50,028
Net increase/(decrease)					
in cash and cash equivalents	98,714	8			(27,578)
Cash and cash equivalents at 1 January	50,390	4	(4)	7	50,390
Effect of foreign exchange rate changes	(16,201)	(3)			(16,204)
Cash and cash equivalents					
at 31 December	132,903	9			6,608
Analysis of the balances of					
cash and cash equivalents					
Bank balances and cash	132,903	9			6,608
					

(IV) Notes to Unaudited Pro Forma Financial Information

- 1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 included in the published interim report of the Group for the six months ended 30 June 2017 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016 included in the published annual report of the Group for the year ended 31 December 2016.
- 2. The consolidated statement of financial position of the Target Group as at 30 September 2017 is the Historical Financial Information of the Target Group set out in Appendix II to this circular which are converted from RMB to HK\$ at the rate of HK\$1=RMB0.8523 as at 30 September 2017.

The audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2016 are derived from the accountants' report of the Target Group for the year ended 31 December 2016 which are converted from RMB to HK\$ at the rate of HK\$1=RMB0.8558, average rate for the twelve months ended 31 December 2016.

3. As the Target Group is principally engaged in property holding with no other associated services, the underlying set of assets acquired is not integrated in forming a business to generate revenue. Thus, the Directors are of opinion that the Acquisition does not constitute a business combination for accounting purposes and is in fact a purchase of net assets in nature under which the fair value of the consideration is the fair value of net assets purchased. Upon Completion, the fair value of the net assets would be adjusted as detailed below:

	Acquiree's carrying	
	amount	Fair value
	HK\$'000	HK\$'000
Plant and equipment	28	28
Land use rights	182,322	1,349,290
Other receivables,		
prepayments and deposits	13,650	13,650
Bank balances and cash	164	164
Other payables and accrued expenses	(36)	(36)
Amount due to the shareholder	(199,196)	(199,196)
	(3,068)	1,163,900
Purchase consideration settled by:		
- cash		117,335
- convertible note		1,046,565
		1,163,900

For the purpose of this unaudited pro forma financial information, the directors of the Company have assessed if there is any impairment loss on the land use rights in accordance with the Hong Kong Accounting Standard 36 Impairment of Assets, which is consistent with the Company's accounting policy. The directors of the Company are of the view that, after performing the impairment assessment, there is no impairment indication of the land use rights as set out in the unaudited pro forma financial information.

- 4. The adjustments represented the fair value change on the convertible note issued by the Company, as part of the consideration for the Acquisition. As the convertible note denominated in RMB, which is different from the functional currency of the Company, the conversion options embedded in the convertible note do not meet the requirement as to "fixed amount of cash for a fixed number of shares of the Company's equity instruments" in accordance with Hong Kong Accounting Standard 32 Financial Instruments: Presentation, and are not classified as equity instruments. Instead, the conversion options are considered as embedded derivative. Upon initial recognition, the convertible note is designated as financial liability at fair value through profit or loss entirely. Subsequently, the entire convertible note is measured at fair value at the end of each reporting period.
- 5. The adjustments represented the amortisation charged for the land use rights of RMB1,150,000,000, which is based on the valuation report set out in the Appendix IV of the circular.
- 6. The adjustment represented the exchange difference arising from the fair value adjustment on the land use rights.
- 7. The adjustment represented the net cash outflow from the Acquisition as if the Acquisition completed on 1 January 2016.
- 8. The above adjustments are expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of Hoifu Energy Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hoifu Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017, the unaudited pro forma consolidated statement of profit or loss and the pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages 91 to 99 of Appendix III to the circular issued by the Company dated 29 January 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information is set out in pages 89 to 90 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group's acquisition of entire issued share capital of New Guangdong Merchants Investment Holdings Limited on the Group's financial position as at 30 June 2017 and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the transaction had taken place at 30 June 2017 and 1 January 2016 respectively. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's interim report for the six months ended 30 June 2017, on which no independent auditor's review report has been published, and the Group's financial performance and cash flows has been extracted by the Directors from the annual report for the year ended 31 December 2016, on which an independent auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information. The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The engagement also involves evaluating the overall presentation of the unaudited pro

forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide

a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the

basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma

financial information as disclosed pursuant to paragraph 4.29(1) of the Listing

Rules.

Elite Partners CPA Limited

Certified Public Accountants

Yip Kai Yin

Practising Certificate Number: P05131

Hong Kong

29 January 2018

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VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent valuer, Malcolm & Associates Appraisal Limited, in respect of the valuation of the property interest of the Target Group.

Malcolm & Associates Appraisal Limited

8th Floor, Wai Hing Commercial Building Nos. 17-19 Wing Wo Street Central, Hong Kong

The Directors

Hoifu Energy Group Limited

Units 1910-12, 19th Floor China Merchants Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions of Hoifu Energy Group Limited (the "Company") to us for assessing the market value of the legal interest in the property contracted to be acquired for future development ("the property") by the Company and/or its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our independent and informed opinion of the market value of the property as at 15 December 2017 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the property interest represents the Market Value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

VALUATION METHODOLOGY

We have valued the legal interest in the property on the basis of market value with the Direct Comparison Method assuming the sale in its existing state and use with the benefit of vacant possession and by making reference to direct and most similar comparable sales evidence as being available in the market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of location, accessibility, size, time, age, layout and other material factors.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by 廣東凱富 偉業投資管理有限公司 (Guangdong Hoifu Wai Yip Investment Management Limited), the connected party of the Group. None of further similar documents affecting the market value have been issued at the date of valuation. We have not examined the original title documents to verify the legitimacy of the ownership or to ascertain the existence of the amendment to the First and subsequent Deeds which can materially have a bearing on the market value. However, we have relied upon the advice and information given by the Group's PRC legal advisor, Beijing Yingke Law Firm Guangzhou Office (北京市盈科(廣州)律師事務所), on the validity and enforceability of the title and the legal interest in the property. We are not in a position of providing due diligence and comments on this legal issue. All of such documents have been used for identification and reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the legal interest in the property was sold in the market in its existing state and use without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would affect the market value of the legal interest in the property.

In addition, no account has been taken of the option or right of pre-emption affecting the sale of the legal interest in the property and no repossession is assumed in our valuation.

VALUATION CONSIDERATIONS

We have carried out an on-site inspection of the property recorded in the attached Valuation Certificate by Mr. Wong Yung Shing and Mr. KC Lee in June 2017. However, none of tests or investigations are carried out to determine the stability or suitability of ground conditions or factors, which could delay completion of a development on the property such as archaeological artifacts, contamination, topography, ecological or environmental considerations. Unless otherwise informed, we have assumed that the site conditions were sound, none of delays would occur during construction, and construction could be completed without onerous obstacles.

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

We were given the inspection of the Property to the extent necessary to produce a professional valuation for its purpose but none of inspection was conducted to the areas which are inaccessible, covered or restricted. We have taken reasonable steps as a general practice surveyor to verify the registered site boundaries as shown on the site plan. We are not aware of any significant pollution or contamination in the locality which may affect the future construction. We are also unaware of any adverse ground conditions affecting the Property and have not had been provided with a professional geological survey.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site areas, identification of the property and other relevant information.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have not carried out the detailed site boundary and the corresponding on-site measurement to verify the correctness of the site position and the site areas in respect of the property but have assumed that the site areas shown on the documents handed to us are correct.

None of allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, overriding interest restrictions and outgoings of an onerous nature, which could affect its value. Our valuation takes into the written and registered records of Deeds which have been provided to us by way of actual notice only.

Our valuation has been prepared in accordance with The HKIS Valuation Standards 2017 and RICS Valuation-Global Standards 2017 published by The Hong Kong Institute of Surveyors and by the Royal Institution of Chartered Surveyors respectively.

Our valuation has been prepared under the authentic professional localized and international valuation standards, recommended practices and procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for the fluctuation of the currency exchange rate between the date of valuation and the date of this circular.

We hereby confirm that we have neither present nor prospective interest in the group on the valuation reported herein.

Our summary of market value and the valuation certificate are attached herewith.

Yours faithfully, For and on behalf of

MALCOLM & ASSOCIATES APPRAISAL LIMITED Wong Yung Shing

LLB(Hon.) (London) Prof. Dip. (Est. Mgt) (HK Poly U)

B.Sc.(Land Administration) (Hons.) (London),

MHKIS, MRICS, ACIArb, MHKIArb, MHKIREA, RPS(GP), FBuildE

Associate Director

Note:

Mr. Wong Yung Shing is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Path) since early 1990s. Since 1989, he has continuously practiced for the valuation of corporeal and incorporeal properties and intangible asset, enterprise and business projects including the valuation of properties in Hong Kong and the People's Republic of China, for diverse purposes and specialized in the expert witness services of property disputes, civil aviation, airport built infrastructure, and valuation. He is the unique business valuation record holder of Commonwealth Countries and Hong Kong Legal System (HKCFA Case No.: FAMV 18 of 2010).

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

SUMMARY OF VALUE

Legal interest in the Property contracted to be acquired for future development by the Group in the PRC

> Market Value in existing state and use as at 15 December 2017 RMB

Property

Agglomerated five parcels of adjacent development land including (a) Four parcel of land (Land Parcel Code nos. 440811103208GB00001, 440811103208GB00002, 440811103208GB00003, and 440811103208GB00005) located in the south of Donghai Avenue and opposite to Donghai Building, Donghai Dao, and (b) one parcel of development land (Land Parcel Code No. 440811103208GB00004) located in the South of Donghai Park and Dongfang Avenue, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC

位於中國廣東省湛江市湛江經濟技術開發區 (a) 東海島東海大道以南、東海大廈對面之四塊發展土地 (宗地代碼:440811103208GB00001,440811103208GB00002, 440811103208GB00003, 及440811103208GB00005)及 (b)東海公園南側、東風路之一塊發展土地

(宗地代碼:440811103208GB00004)

1,150,000,000

1,150,000,000

Total:

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

VALUATION CERTIFICATE

Legal interest in the Property contracted to be acquired for future development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state and use as at 15 December 2017 RMB
Agglomerated five parcels of adjacent development land including (a) Four parcels of land (Land Parcel Code nos. 440811103208GB00001, 440811103208GB00002,	The property comprises five land parcels with a total site area of approximately 265,764.19 sq.m. and a total planned gross floor area of about 986,100 sq.m.	The property is currently vacant.	1,150,000,000
440811103208GB00003, and 440811103208GB00005) located in the south of Donghai Avenue and opposite to Donghai Building, Donghai Dao, and (b) one parcel of development land (Land Parcel Code No. 440811103208GB00004) located in the South of Donghai Park and Dongfang Avenue, Zhanjiang Economic and Technological Development Zone,	As advised by the Group, the first phase of the project mainly involves construction of residential towers, shops, office towers and a hotel with total site area and total planned gross floor area of approximately 91,600 sq.m. and 315,600 sq.m. respectively. It is expected that the construction period will commence in January 2018 and be completed in November 2019.		
Zhanjiang City, Guangdong Province, the PRC 位於中國廣東省湛江市湛江 經濟技術開發區 (a)東海島東海大道以南、 東海大廈對面之四塊發展土地 (宗地代碼: 440811103208GB00001, 440811103208GB00002, 440811103208GB00005)及 (b)東海公園南側、東風路之 一塊發展土地 (宗地代碼: 440811103208GB00004)	The second and third phases of the project mainly involve construction of residential towers, commercial and office towers with total site area and total planned gross floor area of approximately 174,164 sq.m. and 661,556 sq.m. respectively. The construction work will commence immediately after the completion of the first phase of the project. It is expected that the construction period will be two years commencing from November 2019.		

on the property is about RMB180,350,000 as at the date of valuation.

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

The land use rights of the property have been granted as follows:

Certificate No.	Land Parcel Code No.	From	Lease	e term To	Use
粤(2017)湛江開發區 不動產權第0001562號	440811103208GB00001	17 April 2017		9 April 2057	Commercial, financing, wholesale, retail and accommodation and catering
		17 April 2017		9 April 2087	Residential
粤(2017)湛江開發區 不動產權第0001563號	440811103208GB00002	17 April 2017		9 April 2057	Wholesale and retail
粤(2017)湛江開發區 不動產權第0001561號	440811103208GB00003	17 April 2017		9 April 2057	Wholesale and retail
粤(2017)湛江開發區 不動產權第0008477號	440811103208GB00004	23 November 20	017	24 August 2057	Commercial, financing, wholesale, retail and accommodation and catering
		23 November 20	017	24 August 2087	Residential
粤(2017)湛江開發區 不動產權第0001564號	440811103208GB00005	17 April 2017		9 April 2087	Residential

Notes:

1. The property is situated in Donghai Avenue of Donghai Dao which is the southeastern part of the urban area of Zhangjiang. It takes about one hour's driving distance from Zhanjiang Airport to the property. The immediate locality is a rural area.

APPENDIX IV

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract dated 26 December 2016, the land use rights of the four land parcels with a total site area of approximately 244,829 sq.m. were contractually granted to Guangdong Hoifu Wai Yip Investment Management Limited (廣東凱富偉業投資管理有限公司) ("Hoifu Wai Yip") at a land premium of RMB139,560,000 for terms of 70 years and 40 years for residential and other uses (wholesale and retail, commercial, financing, and accommodation and catering) respectively. The planning and design requirements of the property are as follows:

Gross Floor Area: 646,754.6 sq.m.
Plot Ratio: ≥1.0 and ≤3.8

Building Height: $\leq 90 \text{m}$ Building Density: $\leq 25 \%$ Greenery Ratio: $\geq 30 \%$

Construction Commencement Date: before 16 July 2018
Construction Completion Date: before 16 July 2020

Other requirements: town planning requirements are to be achieved according to

the statutory documents of (i) Document No.: 湛開住規建規[2016]51號 named as 《關於東海大道以南291,136.06平方米地塊的規劃意見》and (ii) Document No.: 湛開住規建規[2016]181號 named as 《關於〈東海中央商務區有關問題

的函〉的覆函》

Special/supplementary conditions for the development of the property are as follows:-

- a. Hoifu Wai Yip is obliged to for the construction of Shi Zheng Gui Hua Yi Road, Shi Zheng Gui Hua Er Road, garden, green area and public square within the property. Upon completion, the land use rights and all the rights of the said public facilities would be transferred to the relevant government department of Zhanjiang Economic and Technological Development Zone without compensation.
- b. Further, the minimum amount of investment capital for the construction of a high-end hotel (to be built in accordance with the requirement of a five-star hotel) should be RMB380,000,000.

The assignment, leasing, mortgage and first assignment requires the injection of investment being more than 25% of the total development investment capital.

APPENDIX IV

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

3. Pursuant to a State-owned Construction Land Use Rights Grant Contract dated 20 July 2017, the land use right of the land parcel with a site area of approximately 20,931 sq.m. were contractually granted to Hoifu Wai Yip at a land premium of RMB11,940,000 for terms of 70 years and 40 years for residential and other uses (commercial and financing) respectively. The planning and design requirements of the property are as follows:

Gross Floor Area: 80,156.44 sq.m.

Plot Ratio: ≥1.0 and ≤3.8

Greenery Ratio: ≥30%

Construction Commencement Date: before 24 September 2018
Construction Completion Date: before 24 September 2021

Construction Completion Date:	before 24 September 2021						
Other requirements:	Type of uses	Land Area	Plot Ratio	Building Density			
	1 Mixed uses of commercial and services	4,851.13 sq.m. d including 902.34 sq.m. for greenery buffer zone	Equal to or not greater than 5.8 and plot ratio gross floor area cannot exceed 25,519.76 sq.m. (50% of 902.34 sq.m. greenery buffer zone are counted as the development land as the incentive)	Equal to or not greater than 40%			
	2 2nd Class resident	including 3,404.25 sq.m. as the greenery buffer zone	Equal to or not greater than 3.8 and plot ratio gross floor area cannot exceed 54,636.68 sq.m.	For Podium: equal to or not greater than 32%,			
			(50% of 3,404.25 sq.m. greenery buffer zone are counted as the development land as the incentive)	podium: equal to or not greater than 25%			
	3 Greenery Ratio for Whole Site	r		Equal to or greater than 30%			

The assignment, leasing, mortgage and first assignment requires the injection of investment being more than 25% of the total development investment capital.

4. Pursuant to an Immovable Property Certificate (不動產權證書), Yue (2017) Zhanjiang Kai Fa Qu Bu Dong Chan Quan Di No. 0001561 (粤(2017)湛江開發區不動產權第0001561號), issued by Zhanjiang Bureau of Land and Resources (湛江市國土資源局) dated 17 April 2017, the land use rights of the land parcel with a site area of approximately 16,559.18 sq.m. have been granted to Hoifu Wai Yip for a definite term of 70 years to be expired on 9 April 2057 for wholesale and retail uses.

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

- 5. Pursuant to an Immovable Property Certificate (不動產權證書), Yue (2017) Zhanjiang Kai Fa Qu Bu Dong Chan Quan Di No. 0001562 (粵(2017)湛江開發區不動產權第0001562號), issued by Zhanjiang Bureau of Land and Resources (湛江市國土資源局) dated 17 April 2017, the land use rights of the land parcel with a site area of approximately 91,044.06 sq.m. have been granted to Hoifu Wai Yip for a definite term of 40 years to be expired on 9 April 2057 for commercial financing and accommodation and catering uses and for a definite term of 70 years to be expired on 9 April 2087 for residential use.
- 6. Pursuant to an Immovable Property Certificate (不動產權證書), Yue (2017) Zhanjiang Kai Fa Qu Bu Dong Chan Quan Di No. 0001563 (粵(2017)湛江開發區不動產權第0001563號), issued by Zhanjiang Bureau of Land and Resources (湛江市國土資源局) dated 17 April 2017, the land use rights of the land parcel with a site area of approximately 16,562.99 sq.m. have been granted to Hoifu Wai Yip for a definite term of 40 years to be expired on 9 April 2057 for wholesale and retail uses.
- 7. Pursuant to an Immovable Property Certificate (不動產權證書), Yue (2017) Zhanjiang Kai Fa Qu Bu Dong Chan Quan Di No. 0001564 (粵(2017)湛江開發區不動產權第0001564號), issued by Zhanjiang Bureau of Land and Resources (湛江市國土資源局) dated 17 April 2017, the land use rights of the land parcel with a site area of approximately 120,662.42 sq.m. have been granted to Hoifu Wai Yip for a definite term of 70 years to be expired on 9 April 2087 for residential use.
- 8. Pursuant to an Immovable Property Certificate (不動產權證書), Yue (2017) Zhanjiang Kai Fa Qu Bu Dong Chan Quan Di No. 0008477 (粵(2017)湛江開發區不動產權第0008477號), issued by Zhanjiang Bureau of Land and Resources (湛江市國土資源局) dated 23 November 2017, the land use rights of the land parcel with a site area of approximately 20,935.54 sq.m. have been granted to Hoifu Wai Yip for a definite term of 40 years to be expired on 24 August 2057 for commercial financing and accommodation and catering uses and for a definite term of 70 years to be expired on 24 August 2087 for residential use.
- According to the Town Planning Law of the PRC, the Urban Land Management Law of the PRC and the Property Rights Law of the PRC, the PRC legal adviser to the Group, inter alia, provides the follow legal opinion:
 - (a) The Target Group has at law obtained the land use rights of the property;
 - (b) Further to (a), the Target Group enjoys the complete and legitimate land use rights in respect of occupation, use, profits and disposition;
 - (c) The land premium and the relevant tax payment are fully paid and settled;
 - (d) As the date of the legal opinion, the property is not subject to such encumbrances or legal restrictions as legal charge and forfeiture;
 - (e) The Target Group has to strictly comply with the requirements of land use rights and town planning as stated in the Certificate of the Land Use Rights and the Immovable Property Certificates for planning and design, development and construction, in order to ensure the legality and legal compliance during the overall process of land development.

APPENDIX IV

VALUATION ON THE PROPERTY INTEREST OF THE TARGET GROUP

- 10. Our valuation has assumed the following in commensurate with the Property Rights Law of the PRC:
 - a. the legal interest in the property is held by Hoifu Wai Yip together with the valid and enforceable title deeds and freely assignable to third parties in the market without onerous obstacles and legal restrictions for proprietary rights of use, possession, and reasonable enjoyments;
 - b. the design and construction of the property is built in full compliance with the relevant building laws and regulations. None of unauthorized structures, alterations, and addition exists;
 - except the actual notice of incumbrances registered against the property, the property is free of unwritten, unregistered or unregistrable incumbrances and liabilities for the third parties' interests in the property; and
 - d. none of additional tax payments, costs and expenses is further incurred and payable to the government authorities for the legitimate use and occupation of the property.
- 11. Details of the comparable properties are shown as follows:

Address	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
	A parcel of land located adjacent to Guangdong Ocean University, Huguang Town, Mazhang District, Zhanjiang City, Guangdong Province	A parcel of land bounded by the west of Jiaoyu Road, the east of Dongxiang Avenue, the south of Chuangyi Road and the north of Haichuan Express, Potou District, Zhanjiang City, Guangdong Province	A parcel of land located at the junction of Yucai Middle Road and the south of Jinkang Road, Mazhang District, Zhanjiang City, Guangdong Province	A parcel of land bounded by the west of Jiangyue Road, the east of Haibin Avenue and the south of Wendong Road, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province	A parcel of land bounded by the west of Danli Road, the north of Haidong Road West, the east of Yuyuan Road and the south of Jingwan Road South, Haidong New District, Zhanjiang City, Guangdong Province	A parcel of land located at the junction of Lexing Road South and Changping Road East, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province	A parcel of land located adjacent to Tiyu Road South, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province
Site Area (sq.m.)	64,057.05	164,284.05	11,859.72	2,378.43	2,714.14	10,118.31	721.3
Maximum Permissible GFA (sq.m.)	76,868.46	361,424.91	41,509.02	8,324.51	8,142.42	50,591.55	6,058.92
Usage	Residential	Residential	Residential	Residential	Residential	Commercial and Financing	Accommodation and catering
Date of Transaction	17 November 2017	6 January 2017	10 April 2017	3 November 2017	3 November 2017	13 July 2016	11 August 2017
Transaction Price (RMB)	96,000,000	283,000,000	30,000,000	24,050,000	8,630,000	52,620,000	5,080,000
Unit Rate in terms of Accommodation Value (per sq.m.)	1,248.89	783.01	722.73	2,889.06	1,059.88	1,040.09	838.43
Comparable Selection Criteria		omparables based on the reason that of the proposed develo		hin Zhanjiang City, the trans	action dates are proximate to	the date of valuation and	

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent valuer, Malcolm & Associates Appraisal Limited, in respect of the valuation of the Target Group.

Malcolm & Associates Appraisal Limited

8th Floor, Wai Hing Commercial Building Nos. 17-19 Wing Wo Street Central, Hong Kong

The Directors

Hoifu Energy Group Limited

Units 1910-12, 19th Floor China Merchants Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions of Hoifu Energy Group Limited (the "Company") to us for assessing the market value of 100% equity interest in New Guangdong Merchants Investment Holding Group Limited and its subsidiaries (the "Target Group"). We confirm that we have obtained such further information as we consider necessary for the purpose of providing you with our independent and informed opinion of the market value of 100% equity interest held by the Target Group as at 15 December 2017 (the date of "valuation").

BASIS OF VALUATION

Reference has been taken to the HKIS Valuation Standards 2017 (VGN1 – Business Interests and Business Enterprises).

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

PURPOSE OF VALUATION

The purpose of our valuation is to assess the market value of 100% equity interest held by the Target Group for acquisition purpose only.

BACKGROUND OF THE TARGET GROUP

The Target Group consists of New Guangdong Merchants Investment Holding Group Limited (the "Target") and its subsidiaries. The Target was incorporated on 7 August 2015 in the British Virgin Islands with limited liability and is an investment holding company. The Target indirectly holds, through New Guangdong Merchants Investment Holding Limited, the entire equity interests of Guangdong Hoifu Wai Yip Investment Management Limited, a company incorporated under the laws of the People's Republic of China (the "PRC").

The major assets of the Target Group are five land parcels (the "property") located in the PRC. As advised by the senior management of the Company, New Guangdong Merchants Holding Limited and Guangdong Hoifu Wai Yip Investment Management Limited had no other material asset or liability other than the property as at the date of valuation. Details of the property are as follows:

|--|

Agglomerated five land parcels as described in the Appendix IV located in the south of Donghai Avenue and opposite to Donghai Building, Donghai Dao and in the south of Donghai Park and Dongfang Avenue, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the People's Republic of China

Description and tenure

The property comprises five land parcels with a total site area of approximately 265,764.79 sq.m. and a total planned gross floor area of about 986,100 sq.m.

Particulars of occupancy

The property is currently vacant.

SOURCE OF INFORMATION

We have been furnished with information provided by the senior management of the Company. The valuation requires the consideration of pertinent factors, including, but not limited to, the following:

- The nature of the Target Group including the industry sector and the geographical location;
- The information provided by the senior management of the Company; and
- Other factors that will materially affect the operation of the Target Group.

SCOPE OF WORK

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company and obtained information in respect of the Target Group;
- Examined the information provided by the senior management of the Company;
- Prepared the valuation based on accepted valuation standards, recommended practices and procedures; and
- Presented the purpose and the basis of valuation, the date of valuation, the background
 of the Target Group, the source of information, the scope of work, the valuation
 assumptions, the valuation methodology and our independent conclusion of valuation
 in this report.

VALUATION ASSUMPTIONS

The following assumptions have been adopted in the valuation:

- All licenses issued by the relevant authorities that will materially affect the operation
 of the Target Group have been obtained or can be obtained upon demand;
- There will be no material market change in the political, legal, technological, and economic conditions and government fiscal and monetary policies in the jurisdiction where the Target Group operates;

- The present and expected market return, market risk, interest rates and exchange rates will not alter and/or fluctuate materially;
- The present and expected core operation of the Target Group will not vary materially;
- The corporate information of the Target Group have been prepared after due and careful consideration by the senior management of the Company;
- There will be no social casualties, natural disasters or force majeure that will materially affect the operation of the Target Group;
- There is no material difference in the assets and liabilities of the Target Group as at 30 September 2017 (as stated in the Appendix II) and that as at the date of valuation of 15 December 2017; and
- There is no other asset held by New Guangdong Merchants Investment Holding Limited and Guangdong Hoifu Wai Yip Investment Management Limited except the land use rights as described in the Appendix IV.

VALUATION METHODOLOGY

The Asset-based Approach was considered to be the most appropriate valuation approach in this case. Under the Asset-based Approach, we have assessed the market value of the legal interest in the property with the Direct Comparison Method assuming sale in its existing state and use with the benefit of vacant possession and by making reference to direct and most similar comparable sales evidence as being available in the market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of location, accessibility, size, infrastructure utilities, layout, topography, time and development parameters.

The market value of the Target Group as at the date of valuation is as follows:

	Market Value based on Asset- based Approach (RMB'000)
Land (as stated in the Appendix IV) Plant and equipment	1,150,000 24
Total Non-current Assets	1,150,024
Other receivables, repayments and deposits Bank balances and cash	11,633 140
Total Current Assets	11,773
TOTAL ASSETS	1,161,797
Other payables and accrued expenses Amount due to the shareholder	31 169,767
Total Current Liabilities	169,798
TOTAL LIABILITIES	169,798
NET ASSETS	991,999

COMMENTS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Despite being gathered from the reliable sources of public information, no guarantee is made or liability assumed for the accuracy of data, opinions or estimates collected form the market, which have been used in our analysis and conclusion.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

CONCLUSION OF VALUE

Our conclusion of the market value is based on accepted valuation standards, recommended practices and procedures which adopt assumptions and consider unascertainable or unquantifiable uncertainties.

Further, whilst the assumptions and consideration of all relevant matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies in reality which are beyond the control of the Company, the Target Group or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest held by New Guangdong Merchants Investment Holding Group Limited and its subsidiaries (that is, Target Group) as at 15 December 2017 was RMB991,999,000.00 (RENMINBI NINE HUNDRED AND NINETY-ONE MILLION AND NINE HUNDRED NINETY-NINE THOUSAND ONLY).

We hereby confirm that we have neither present nor prospective interest in the Company, the Target Group or the valuation reported.

Yours faithfully,
For and on behalf of

MALCOLM & ASSOCIATES APPRAISAL LIMITED

Wong Yung Shing

LLB(Hon.) (London) Prof. Dip. (Est. Mgt) (HK Poly U)

B.Sc. (Land Administration) (Hons.), (London),

MHKIS, MRICS, ACIArb, MHKIArb, MHKIREA, RPS(GP), FBuildE

Associate Director

Note:

Mr. Wong Yung Shing is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Path) since early 1990s. Since 1989, he has continuously practiced for the valuation of corporeal and incorporeal properties and intangible asset, enterprise and business projects, including the valuation of properties in Hong Kong and the People's Republic of China, for diverse purposes and specialized in the expert witness services of property disputes, civil aviation, airport built infrastructure, and valuation. He is the unique business valuation record holder of Commonwealth Countries and Hong Kong Legal System (HKCFA Case No.: FAMV 18 of 2010).

Set out below is the management discussion and analysis on the Target Group, which is prepared based on the financial information of the Target Group as set out in Appendix II to this circular.

FOR THE PERIOD FROM 7 AUGUST 2015 (DATE OF INCORPORATION) TO 31 DECEMBER 2015

Results and Business Review

For the period under review, the Target Group had not commenced business yet. Accordingly, no revenues were recorded by the Target Group for the period ended 31 December 2015. The Target Group's loss attributable to the owners of the Target for the period ended 31 December 2015 was approximately RMB19,000, which was mainly attributable to the administrative expenses incurred during the relevant period.

Capital Structure, Liquidity and Financial Resources

The Target Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the shareholders. The Target Group's daily operations during the period under review were mainly funded by loans from shareholder.

As at 31 December 2015, the Target Group had cash and cash equivalent of approximately RMB3,000 and there were no borrowings. As at 31 December 2015, the current assets and current liabilities of the Target Group were approximately RMB3,000 and RMB21,000 respectively, representing a current ratio of approximately 0.14. The net current liabilities and net liabilities of the Target Group were approximately RMB18,000 as at 31 December 2015. The gearing ratio of the Target Group, as expressed as a ratio of total borrowings to shareholders' funds, was nil as at 31 December 2015.

The Target Group undertook certain operating transactions in foreign currencies, which exposed the Target Group to foreign currency risk, mainly to the risk of fluctuations in United States dollar against RMB. The Target Group did not use any derivative contract to hedge against its exposure to currency risk. The Target Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Contingent Liabilities

As at 31 December 2015, the Target Group did not have any contingent liability.

Charge on Assets

As at 31 December 2015, the Target Group did not have any charge on assets.

Material Investments, Acquisitions or Disposals

There were no material investments, acquisitions and disposals of subsidiaries and associated companies during the period ended 31 December 2015.

Capital commitment

As at 31 December 2015, the Target Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

As the Target Group was engaged in a single segment, no segmental information was presented.

Human Resources

As at 31 December 2015, the Target Group had no employees and the total staff cost for the period ended 31 December 2015 was nil.

FOR THE YEAR ENDED 31 DECEMBER 2016

Results

For the year ended 31 December 2016, no revenues were recorded by the Target Group as it had not commenced business yet. The Target Group's loss attributable to the owners of the Target for the year ended 31 December 2016 was approximately RMB39,000, which was mainly attributable to the administrative expenses incurred during the year under review.

Business Review

On 16 December 2016, the Target Group entered into a land use rights transfer agreement to acquire the land use rights of four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of 244,829 sq.m.. Deposits of RMB27.92 million were paid for the acquisition of the land use rights. Save for the deposits paid for the acquisition of the land use rights, the Target Group had not carried out any business for the year ended 31 December 2016.

Capital Structure, Liquidity and Financial Resources

The Target Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the shareholders. The Target Group's capital expenditure, daily operations and investment were mainly funded by loans from shareholder.

As at 31 December 2016, the Target Group had cash and cash equivalent of approximately RMB8,000 and there were no borrowings. As at 31 December 2016, the current assets and current liabilities of the Target Group were approximately RMB10.21 million and RMB38.18 million respectively, representing a current ratio of approximately 0.27. The net current liabilities and net liabilities of the Target Group were approximately RMB27.98 million and RMB57,000 respectively as at 31 December 2016. The gearing ratio of the Target Group, as expressed as a ratio of total borrowings to shareholders' funds, was nil as at 31 December 2016.

The Target Group undertook certain operating transactions in foreign currencies, which exposed the Target Group to foreign currency risk, mainly to the risk of fluctuations in United States dollar against RMB. The Target Group did not use any derivative contract to hedge against its exposure to currency risk. The Target Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Contingent Liabilities

As at 31 December 2016, the Target Group did not have any contingent liability.

Charge on Assets

As at 31 December 2016, the Target Group did not have any charge on assets.

Material Investments, Acquisitions or Disposals

On 16 December 2016, the Target Group entered into a land use rights transfer agreement to acquire the land use rights of four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of 244,829 sq.m.. Deposits of RMB27.92 million were paid for the acquisition of the land use rights.

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2016.

Capital commitment

As at 31 December 2016, the Target Group had capital commitment, being the remaining balance for the acquisition of land use rights of four land parcels, of approximately RMB111.64 million.

Save as disclosed above, the Target Group did not have any material capital expenditure commitment or future plan for material investments or capital assets as at 31 December 2016.

Segmental Analysis

As the Target Group was engaged in a single segment, no segmental information was presented.

Human Resources

As at 31 December 2016, the Target Group had no employees and the total staff cost for the year ended 31 December 2016 was nil.

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

Results

For the nine months ended 30 September 2017, no revenues were recorded by the Target Group as it had not commenced business yet. The Target Group's loss attributable to the owners of the Target for the nine months ended 30 September 2017 increased significantly from nil for the nine months ended 30 September 2016 to approximately RMB2.56 million. The substantial increase was mainly attributable to the professional fee and administrative expenses incurred upon completion of the acquisition of land use rights during the nine months ended 30 September 2017.

Business Review

The Target Group completed and obtained the land use rights of four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of 244,829 sq.m. in April 2017. Pursuant to the land use rights transfer agreement dated 16 December 2016, the total investment cost for the four land parcels shall not be less than RMB1,800.00 million. On 20 July 2017, the Target Group entered into a land use rights transfer agreement to acquire a parcel of land located in Dongfeng Road, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of 20,935.54 sq.m.. There are no requirements on the minimum investment cost for the development of Land 5. The land use rights certificate of Land 5 was issued on 23 November 2017.

Capital Structure, Liquidity and Financial Resources

The Target Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the shareholders. The Target Group's capital expenditure, daily operations and investment were mainly funded by loans from shareholder.

As at 30 September 2017, the Target Group had cash and cash equivalent of approximately RMB140,000 and there were no borrowings. As at 30 September 2017, the current assets and current liabilities of the Target Group were approximately RMB11.77 million and RMB169.80 million respectively, representing a current ratio of approximately 0.07. The net current liabilities and net liabilities of the Target Group were approximately RMB158.03 million and RMB2.62 million respectively as at 30 September 2017. The gearing ratio of the Target Group, as expressed as a ratio of total borrowings to shareholders' funds, was nil as at 30 September 2017.

The Target Group undertook certain operating transactions in foreign currencies, which exposed the Target Group to foreign currency risk, mainly to the risk of fluctuations in United States dollar against RMB. The Target Group did not use any derivative contract to hedge against its exposure to currency risk. The Target Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Contingent Liabilities

As at 30 September 2017, the Target Group did not have any contingent liability.

Charge on Assets

As at 30 September 2017, the Target Group did not have any charge on assets.

Material Investments, Acquisitions or Disposals

In April 2017, the Target Group completed its acquisition of four land parcels located in Donghai Avenue, Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of approximately 244,829 sq.m..

On 20 July 2017, the Target Group entered into a land use rights transfer agreement to acquire the land use rights of a land parcel located in Donghai Dao, Zhanjiang Economic and Technological Development Zone, Zhanjiang City, Guangdong Province, the PRC with a total site area of 20,935.54 sq.m.

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries and associated companies during the nine months ended 30 September 2017.

Capital commitment

As at 30 September 2017, the Target Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

As the Target Group was engaged in a single segment, no segmental information was presented.

Human Resources

As at 30 September 2017, the Target Group had six employees and the total staff cost for the nine months ended 30 September 2017 was approximately RMB198,000.

The Target Group provided competitive salary package and other benefits, including mandatory provident fund and bonus, to attract and retain high caliber staff.

FOR THE YEAR ENDED 31 DECEMBER 2014

Results

For the year ended 31 December 2014, the Group recorded revenue of approximately HK\$313.13 million, representing a decrease of approximately 44.37% as compared with that of the previous year. The decrease in revenue was mainly attributable to the impact of oversupply of coal in the PRC and the declining coal prices. The Group's loss attributable to the owners of the Company for the year ended 31 December 2014 was approximately HK\$37.76 million, representing an increase of approximately 75.85% as compared to the prior year. The increase in loss was mainly attributable to the absence of a one-off gain, being reversal of allowance on bad and doubtful debts, which amounted to HK\$6.31 million for the previous year and the increase in administrative expenses as a result of increases in the staff costs, office rentals and legal and professional fees incurred on acquisitions during the year under review.

Business Review

During the year under review, the Group had three major business segments, namely (i) trading business; (ii) oil and gas and mineral mining business; and (iii) financial business.

(a) Trading business

The trading business of the Group involved sales of natural resources and petrochemical products, mainly coal.

(b) Oil and gas and mineral mining business

Oil and gas

The Group owned 100% of the exploration, exploitation and operation rights as well as the profit sharing right of an onshore block of land with total area of 10,400 square kilometers in the northern part of Madagascar ("Madagascar Oilfield Block 2101"). Pursuant to the exploration, exploitation and oil and gas production sharing contract, the Group was entitled to share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5%, depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101.

As at 31 December 2014, the Group had 60% interest in oilfield block 2 located at West Esh El Mallaha in the Eastern Desert area in Egypt ("Egypt Block 2"). In view of the continual unrest in Egypt, the Group decided to pull out of the country and disposed of the company which holds the interest in oil and gas concession agreement in relation to Egypt Block 2 in March 2015.

Mineral mining

The Group owned 65% interest in the rights granted under the licences in respect of a land with an area of approximately 1,056 square kilometers situated in Kitui District Eastern Province, Kenya ("Kenya Mine 253") and a land with an area of approximately 417 square kilometers situated in Nandi County, Kenya ("Kenya Mine 341"). Pursuant to the licences and relevant provisions of the Mining Act of Kenya, the Group was authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 and to prospect and explore gold, iron ore and non-precious minerals in Kenya Mine 341.

(c) Financial business

The revenue of financial business mainly comprised brokerage fee from securities, futures and options brokerage, underwriting commission, advisory fee for financial management and interest income from securities margin loan portfolio. There were no material fluctuations in the overall revenue from financial business as compared with the prior year since the increase in interest income from financial business was offset by the decrease in advisory and consultancy fee. The improvement in interest income was mainly attributable to the great market volatility of the stock market which encouraged a higher utilization of margin financing by investors while the decrease in revenue from provision of advisory and consultancy service was mainly due to a lower demand for transactions in light of the uncertain quantitative easing policy in the United States of America.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the Shareholders. The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, loan from financial institutions and equity financing.

As at 31 December 2014, the Group had cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of approximately HK\$78.02 million, which were denominated in United States dollar and RMB. During the year ended 31 December 2014, the Group obtained short-term bank borrowings to provide margin financing to clients for applications of initial public offerings and to finance its daily operations as well as investments. As at 31 December 2014, there were no borrowings noted. As at 31 December 2014, the current assets and current liabilities of the Group were approximately HK\$359.45 million and HK\$216.29 million respectively, representing a current ratio of approximately 1.66. The net current assets and net assets of the Group were approximately HK\$143.16 million and HK\$365.15 million respectively as at 31 December 2014. The gearing ratio of the Group, as expressed as a ratio of total borrowings (including bank loans and overdrafts) to shareholders' funds, was at a level of nil as at 31 December 2014. The total number of issued Shares as at 31 December 2014 was 1,543,452,000.

The Group undertook certain operating transactions in foreign currencies, which exposed the Group to foreign currency risk, mainly to the risk of fluctuations in the HK\$ and United States dollar against RMB. The Group did not use any derivative contract to hedge against its exposure to currency risk. The Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Contingent Liabilities

The Company provided a guarantee to a bank in respect of the securities margin financing facilities granted to a subsidiary. As at 31 December 2014, no facilities were utilized by the subsidiary.

Charge on Assets

As at 31 December 2014, the Group had banking facilities obtained from various banks, which were secured by guarantees provided by the Company and the Group's bank deposits. As at 31 December 2014, bank deposits amounted to approximately HK\$5.20 million was pledged to secure banking facilities granted to a subsidiary.

Material Investments, Acquisitions or Disposals

On 15 December 2013, the Group entered into an agreement to acquire 65% equity interest of Beibuwan Yuchai Energy Chemical Co., Limited ("Beibuwan Yuchai") for a total consideration of approximately RMB135.46 million. The acquisition was completed on 7 March 2014.

On 8 October 2014 and 31 October 2014, the Group entered into agreements to acquire 55% equity interest of Hebei Panbao Zeolite Technology Co., Ltd. ("Hebei Panbao") for a consideration of RMB30.00 million. Hebei Panbao's principal activities are mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao has obtained the mining license of a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters from the Bureau of Land and Resources of Zhangjiakou Municipal for the period from 23 April 2014 to 23 February 2017, and was subsequently further extended to 15 May 2022. The acquisition was completed on 11 February 2015.

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2014.

Capital commitment

According to the concession agreement regarding the exploration of Egypt Block 2 (the "Block 2 Concession Agreement"), Aminex Petroleum Egypt Limited ("APEL") committed to spend at least (i) US\$7 million to drill three wells by September 2009; (ii) US\$5 million to drill two wells by September 2012; and (iii) US\$4 million to drill two wells by September 2014. The excess amount used in the first and/or second stage can set off with the minimum amount committed for the second and/or third stage. As at 31 December 2014, APEL had spent more than the committed amount of US\$16 million and drilled three wells in Egypt Block 2. On 13 September 2012, APEL was granted an approval to extend the drilling of two wells from September 2012 to March 2013. APEL submitted an application to the relevant authority to further extend the deadline for well drilling and the approval had not been granted by the relevant authority up to 31 December 2014.

Save as disclosed above, as at 31 December 2014, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group categorized its businesses into three reportable segments, namely trading business, mineral mining, oil and gas business and financial business. For the year ended 31 December 2014, revenue from the segments of trading business, mineral mining, oil and gas business and financial business amounted to approximately HK\$287.70 million, nil and HK\$25.43 million respectively, which accounted for approximately 91.88%, nil and 8.12% of the Group's total turnover respectively. Trading business and financial business recorded a segment profit of approximately HK\$3.68 million and HK\$3.47 million respectively while mineral mining, oil and gas business recorded a segment loss of approximately HK\$4.64 million for the year ended 31 December 2014.

Human Resources

As at 31 December 2014, the total number of employees of the Group were 105, of which 28 were commission based. The total staff cost (including directors' remuneration) for the year ended 31 December 2014 was approximately HK\$34.12 million.

The Group provided competitive salary package and other benefits, including mandatory provident fund, medical schemes and bonus, to attract and retain high caliber staff.

FOR THE YEAR ENDED 31 DECEMBER 2015

Results

For the year ended 31 December 2015, the Group recorded revenue of approximately HK\$172.00 million, representing a decrease of approximately 45.07% as compared to that of the previous year. The decrease in revenue was mainly attributable to the suspension of trading of coal, which had a lean profit margin due to the weak demand. The Group's loss attributable to the owners of the Company for the year ended 31 December 2015 was approximately HK\$36.48 million, representing a decrease of approximately 3.38% as compared to last year. The improvement was mainly attributable to the profit generated by Hebei Panbao, the products of which had a higher gross profit margin, and the gain on bargain purchase upon completion of the acquisition of Hebei Panbao in February 2015.

Business Review

During the year under review, the Group had three major business segments, namely (i) trading business; (ii) oil and gas and mineral mining business; and (iii) financial business.

(a) Trading business

The trading business of the Group involved sales of natural resources and petrochemical products, mainly coal. In view of the lean profit margin of coal, the Group suspended its trading business of coal in the second half of 2015.

(b) Oil and gas and mineral mining business

Oil and gas

The Group owned 100% of the exploration, exploitation and operation rights as well as the profit sharing right of Madagascar Oilfield Block 2101. Pursuant to the exploration, exploitation and oil and gas production sharing contract, the Group was entitled to share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5%, depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101.

Mineral mining

The Group owned 65% interest in the rights granted under the licences in respect of Kenya Mine 253 and Kenya Mine 341. Pursuant to the licences and relevant provisions of the Mining Act of Kenya, the Group was authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 and to prospect and explore gold, iron ore and non-precious minerals in Kenya Mine 341.

For the year ended 31 December 2015, the Group entered into a contracting agreement for mining and stripping of copper and gold deposits with China Energy Guangxi Power Engineering Construction Co., Ltd. Pursuant to the agreement, China Energy Guangxi Power Engineering Construction Co., Ltd. would be responsible for the engineering construction for mining and processing of Kenya Mine 253 and Kenya Mine 341, including the provision of management personnel, equipment and other facilities. The contracting fee would be settled by cash, the Shares or convertible notes to be issued by the Company or any combination of the above.

Mining and production of zeolite

The Group completed its acquisition of 55% equity interest of Hebei Panbao on 11 February 2015. The principal activities of Hebei Panbao were mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao was granted with a mining license of a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters by the Bureau of Land and Resources of Zhangjiakou Municipal for the period from 23 April 2014 to 23 February 2017, which was subsequently further extended to 15 May 2022.

Petrochemical

The Group completed the acquisition of 65% equity interest of Beibuwan Yuchai in March 2014. The Board was informed by Beibuwan Yuchai that the design and planning of Beibuwan Yuchai project did not comply with the requirements of the prevailing environmental regulations imposed by the relevant authority in the PRC and as a result, the relevant land requisition and land use permit in relation to the Beibuwan Yuchai project could not be obtained. After careful discussions, the board of directors of Beibuwan Yuchai decided not to proceed the Beibuwan Yuchai project further. The Group therefore recorded an impairment loss of approximately HK\$43.4 million for the year ended 31 December 2015. The management considered that the impairment loss had limited effect on the Group's cashflow position as the Group was entitled to a compensation of approximately RMB99.78 million from the withdrawal of the investment.

(c) Financial business

The revenue of financial business was generated from securities, futures and options broking business, underwriting commission, advisory for financial management business and interest income from securities margin loan portfolio. The financial business segment recorded a marginal loss as the business environment turned negative drastically in the second half of the year under review. Followed the stock market collapse in the PRC in the second half of 2015, Hang Seng Index slid to the year low of 18,280 with turnover falling to about HK\$50.00 billion daily and experienced short-lived weak rebounds thereafter. As a result of the gloomy market conditions, the level of bad debts provision increased substantially and led to the marginal loss of financial business of the Group.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the Shareholders. The Group's capital expenditure, daily operations and investment were mainly funded by cash generated from its operations, loan from financial institutions and equity financing.

As at 31 December 2015, the Group had cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of approximately HK\$50.39 million, which were denominated in United States dollar and RMB. During the year ended 31 December 2015, the Group obtained short-term bank borrowings to provide margin financing to clients for applications of initial public offerings and to finance its daily operations as well as investments. As at 31 December 2015, there were no borrowings. As at 31 December 2015, the current assets and current liabilities of the Group were approximately HK\$638.35 million and HK\$358.04 million respectively, representing a current ratio of approximately 1.78. The net current assets and net assets of the Group were approximately HK\$280.31 million and HK\$520.41 million respectively as at 31 December 2015. The gearing ratio of the Group, as expressed as a ratio of total borrowings (including bank loans and overdrafts) to shareholders' funds, was nil as at 31 December 2015.

The Group undertook certain operating transactions in foreign currencies, which exposed the Group to foreign currency risk, mainly to the risk of fluctuations in the HK\$ and United States dollar against RMB. The Group did not use any derivative contract to hedge against its exposure to currency risk. The Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

On 6 February 2015, the Company entered into a subscription agreement with Mr. Zhu Yongwen, an independent third party, for the subscription of 30,000,000 new Shares at a price of HK\$1.23 each. On 9 February 2015, the Company entered into a subscription agreement with Ms. Zhou Yang, an independent third party, for the subscription of 30,000,000 new Shares at a price of HK\$1.20 each. The total number of issued Shares as at 31 December 2015 was 1,650,238,601.

Contingent Liabilities

The Company provided a guarantee to a bank in respect of the securities margin financing facilities granted to a subsidiary. As at 31 December 2015, no facilities were utilized by the subsidiary.

Charge on Assets

As at 31 December 2015, the Group had banking facilities obtained from various banks, which were secured by guarantees provided by the Company and the Group's bank deposits. As at 31 December 2015, bank deposits amounted to approximately HK\$5.22 million was pledged to secure banking facilities granted to a subsidiary.

Material Investments, Acquisitions or Disposals

Acquisitions

On 10 April 2015, the Group entered into an agreement to acquire the entire equity interest in New Praise International Limited ("New Praise") at the consideration of HK\$150.00 million. The principal asset of New Praise is the 100% interest in a commercial and residential property located at Lot 472 ME, Mandrosoa Ivato – Antananarivo, Madagascar (the "Madagascar Property"). The Madagascar Property had a total land area of approximately 4,200 sq.m. with a land use rights of 99 years, of which approximately 1,834 sq.m. had been used for development for a commercial and residential building with total gross floor area of approximately 6,500 sq.m., comprising 5 floors and 1 basement level, featuring 3-star hotel function. As at 31 December 2015, the hotel in the Madagascar Property offered 68 rooms, including 4 deluxe rooms and 64 standard rooms and was equipped with various facilities, such as meeting room, fitness centre, restaurants, bar, shop, swimming pool and outdoor car-parking facilities. The acquisition was completed on 2 July 2015.

On 4 August 2015, the Group entered into an agreement to acquire the entire issued share capital of Oriental Bliss Holdings Limited ("Oriental Bliss") for a total consideration of HK\$750.00 million. The major assets of Oriental Bliss were 5% equity interest in Madagascar Southern Petroleum Company Limited ("Madagascar Southern Petroleum"), a company which owned 100% interest of the exploration, exploitation and operation rights as well as the profit sharing rights of an onshore block of land of approximately 9,290 square kilometers in the southwest part of Madagascar ("Oilfield Block 3112"). Pursuant to the production sharing contract, Madagascar Southern Petroleum was entitled to share the remaining petroleum and gas profit after government royalty and recovery of petroleum and gas exploitation costs according to the sharing ratios in the range of 40.0% to 72.5%, depending on the production volume of petroleum and gas production of Oilfield Block 3112. Madagascar Southern Petroleum had completed the exploration work obligations required under the production sharing contract and started to produce in January 2015. The natural gas produced in Oilfield Block 3112 was supplied at a rate of 2,800 cubic meters per hour to local customers and the power plant built by Madagascar Southern Petroleum for power generation. As at 31 December 2015, the acquisition of Oriental Bliss had not been completed yet. On 10 June 2016, the parties to the agreement entered into a termination agreement to terminate the transaction.

Disposal

On 24 March 2015, the Group completed the dispose of the entire equity interest in Karl Thomson Energy Limited, which held the interest in oil and gas concession agreement in relation to Egypt Block 2, for a consideration of HK\$3.00 million.

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2015.

Capital commitment

As at 31 December 2015, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group categorized its businesses into three reportable segments, namely trading business, mineral mining, oil and gas business and financial business. For the year ended 31 December 2015, revenue from the segments of trading business, mineral mining, oil and gas business and financial business amounted to approximately HK\$30.57 million, HK\$103.10 million and HK\$38.33 million respectively, which accounted for approximately 17.78%, 59.94% and 22.28% of the Group's total turnover respectively. Trading business and financial business recorded a segment loss of approximately HK\$9.64 million and HK\$0.57 million respectively while mineral mining, oil and gas business recorded a segment profit of approximately HK\$28.10 million for the year ended 31 December 2015.

Human Resources

As at 31 December 2015, the total number of employees of the Group were 212, of which 40 were commission based. The total staff cost (including directors' remuneration) for the year ended 31 December 2015 was approximately HK\$31.13 million.

The Group provided competitive salary package and other benefits, including mandatory provident fund, medical schemes and bonus, to attract and retain high caliber staff.

FOR THE YEAR ENDED 31 DECEMBER 2016

Results

For the year ended 31 December 2016, the Group recorded revenue of approximately HK\$136.57 million, representing a decrease of approximately 20.60% as compared to that of the previous year. The decrease was mainly attributable to the decrease in revenue from financial business and the cessation of trading of natural resources and petrochemical products in 2015. The gross profit margin for the year ended 31 December 2016 was approximately 51.15%, which was higher than that of the prior year of approximately 41.48%.

The Group's loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK\$4.62 million, representing a decrease of approximately 87.33% as compared to last year. The improvement was mainly attributable to the recognition of an introduction income of approximately HK\$23.40 million for acting as a referrer in the sale and purchase of the 45% equity interest of Hebei Panbao during the year ended 31 December 2016 and the absence of impairment loss on goodwill which amounted to approximately HK\$25.95 million for the previous year.

Business Review

During the year under review, the Group had three major business segments, namely (i) oil and gas and mineral mining business; (ii) financial business; and (iii) property investment.

(a) Oil and gas and mineral mining business

Oil and gas

The Group owned 100% of the exploration, exploitation and operation rights as well as the profit sharing right of Madagascar Oilfield Block 2101. Pursuant to the exploration, exploitation and oil and gas production sharing contract, the Group was entitled to share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5%, depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101.

Mineral mining

The Group owned 65% interest in the rights granted under the licences in respect of Kenya Mine 253 and Kenya Mine 341. Pursuant to the licences and relevant provisions of the Mining Act of Kenya, the Group was authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 and to prospect and explore gold, iron ore and non-precious minerals in Kenya Mine 341.

The Group had entered into a contracting agreement for mining and stripping of copper and gold deposits with China Energy Guangxi Power Engineering Construction Co., Ltd. Pursuant to the agreement, China Energy Guangxi Power Engineering Construction Co., Ltd. would be responsible for the engineering construction for mining and processing of Kenya Mine 253 and Kenya Mine 341, including the provision of management personnel, equipment and other facilities.

Mining and production of zeolite

The principal activities of Hebei Panbao during the period under review were mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao was granted with the mining license for a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters by the Bureau of Land and Resources of Zhangjiakou Municipal for the period from 23 April 2014 to 23 February 2017, which was subsequently further extended to 15 May 2022.

The revenue generated from Hebei Panbao was quite stable for the year ended 31 December 2016, staying at the level of approximately HK\$103.77 million as compared to approximately HK\$103.10 million for the year ended 31 December 2015. With the change for a higher profit margin product mix in 2016, the Group's gross profit margin increased from 34.00% for the year ended 31 December 2015 to 40.00% for the year ended 31 December 2016.

(b) Financial business

For the year ended 31 December 2016, the revenue derived from financial business amounted to approximately HK\$26.20 million, representing a decrease of approximately 31.63% as compared to the prior year. The investment sentiment in the year under review remained cautious and most retail investors sidelined for the most of time during the year ended 31 December 2016. The average market turnover traded on the Hong Kong Stock Exchange was only at around HK\$50.00 billion level daily and the activities were dominated by the index arbitraged trading and speculation on newly listed shares. Hang Seng Index hit year low in early 2016 and managed to rebound thereafter on seesaw pattern despite the challenges of regional tensions in South China Sea, the withdrawal of Britain from European Union and the election of Trump to the new president of United States of America.

On 19 May 2016, the Group entered into a promoters' agreement with co-promoters to set up a joint venture securities company in Guangzhou Pilot Free Trade Zone, Nanshan area under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"). The Group conditionally agreed to invest RMB350.00 million in the joint venture securities company by way of subscription of 350,000,000 shares of the joint venture securities company, representing 10% of its equity interest. The Board believed that the investment could offer a golden opportunity for the Company to embark on a new milestone in its business development in financial services industry. The investment, when materialized, would offer a first-starter advantage to the Group to access to the huge and fast-growing financial markets in the PRC. The setup of the joint venture securities company was subject to the approval of China Securities Regulatory Commission ("CSRC") and a formal application was made to the CSRC on 16 June 2016.

(c) Property investment

On 30 November 2016, the Group completed its acquisition of a company which owns a property located at the Rong Ning Yuan Community of 60 Guang An Men Nan Jie, Xicheng District, Beijing, the PRC, including (i) the 1st and 2nd floor of the commercial podium of Tower 2 with an area of 1,323.61 sq.m.; and (ii) the car park and storage rooms at the basement of Tower 1 to Tower 6 with an area of 15,036.42 sq.m. (the "Beijing Property"). The car park comprised two storey with a total of 384 parking spaces. The monthly rental income generated from the leasing of the Beijing Property amounted to approximately HK\$1.70 million. The existing tenancy agreement for the entire area of the Beijing Property covers a leasing period of two years, commencing from 15 June 2016 to 15 June 2018. In addition, pursuant to a lease agreement on advertising signage board on the external walls of the Beijing Property's office building, the leasing of the advertising signage board would provide an additional monthly rental income of RMB400,000 for a two-year period expiring on 15 July 2018.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the Shareholders. The Group's capital expenditure, daily operations and investment were mainly funded by cash generated from its operations, loan from financial institutions and equity financing.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

As at 31 December 2016, the Group had cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of approximately HK\$132.90 million, which were denominated in United States dollar and RMB. During the year ended 31 December 2016, the Group obtained short-term bank borrowings to provide margin financing to clients for applications of initial public offerings and to finance its daily operations as well as investments. As at 31 December 2016, the Group had no borrowings. As at 31 December 2016, the current assets and current liabilities of the Group were approximately HK\$669.21 million and HK\$434.00 million respectively, representing a current ratio of approximately 1.54. The net current assets and net assets of the Group were approximately HK\$235.26 million and HK\$904.41 million respectively as at 31 December 2016. The gearing ratio of the Group, as expressed as a ratio of total borrowings (including bank loans and overdrafts) to shareholders' funds, was nil as at 31 December 2016.

The Group undertook certain operating transactions in foreign currencies, which exposed the Group to foreign currency risk, mainly to the risk of fluctuations in the HK\$ and United States dollar against RMB. The Group did not use any derivative contract to hedge against its exposure to currency risk. The Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

On 14 July 2016, the Company entered into a subscription agreement with Mr. Weng Tao, being an independent third party, for the subscription of 50,000,000 new Shares at a price of HK\$0.70 each. The total number of issued Shares as at 31 December 2016 was 2,521,280,885.

Contingent Liabilities

The Company provided a guarantee to a bank in respect of the securities margin financing facilities granted to a subsidiary. As at 31 December 2016, no facilities were utilized by the subsidiary.

Charge on Assets

As at 31 December 2016, the Group had banking facilities obtained from various banks, which were secured by guarantees provided by the Company and the Group's bank deposits. As at 31 December 2016, bank deposits amounted to approximately HK\$5.23 million was pledged to secure banking facilities granted to a subsidiary.

Material Investments, Acquisitions or Disposals

Investment and acquisition

On 4 February 2016, 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited), a whollyowned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Kwong Kin Wah, an independent third party, for the acquisition of the entire equity interest in 北京匯興泰投資有限公司 (Beijing Huixintai Investments Limited) for a consideration of RMB130.00 million (the "Beijing Huixintai Acquisition"). On 11 February 2016, Guangdong Hoifu Energy Limited and Mr. Kwong Kin Wah entered into a termination agreement to terminate the sale and purchase agreement dated 4 February 2016.

On 19 May 2016, the Group entered into a promoters' agreement with other co-promoters to set up a joint venture securities company in Guangzhou Pilot Free Trade Zone, Nanshan area under the framework of the CEPA. The Group conditionally agreed to invest RMB350.00 million in the joint venture securities company by way of subscription of 350,000,000 shares of the joint venture securities company, representing 10% of the entire equity interest thereof for an aggregate subscription price of RMB350.00 million.

On 13 June 2016, the Group entered into an agreement to acquire the entire equity interest in Millhaven Holdings Limited, which owns a property with a total area of 16,360.03 sq.m. at the Rong Ning Yuan Community of 60 Guang An Men Nan Jie, Xicheng District, Beijing, the PRC, including (i) the 1st and 2nd floor of the commercial podium of Tower 2 with an area of 1,323.61 sq.m.; and (ii) the car park and storage rooms at the basement of Tower 1 to Tower 6 with an area of 15,036.42 sq.m.. The car park comprises of two storey with a total of 384 parking spaces. The Previous Acquisition was completed on 30 November 2016.

Disposal

On 30 December 2016, the Group entered into an agreement to dispose of the entire equity interest in 天津市攀寶舜天國際貿易有限公司 (Tianjin Panbao International Trading Limited), a company principally engaged in trading of mining and chemical products, for a consideration of RMB3.00 million. The disposal was completed on 30 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Save as disclosed above, there were no material investments, acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2016.

Capital commitment

As at 31 December 2016, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group categorized its businesses into four reportable segments, namely trading business, mineral mining, oil and gas business, financial business and property investment. For the year ended 31 December 2016, no revenue was generated from trading business segment while the revenue from the segments of mineral mining, oil and gas business, financial business and property investment amounted to approximately HK\$105.24 million, HK\$26.20 million and HK\$5.13 million respectively, which accounted for approximately 77.06%, 19.19% and 3.75% of the Group's total turnover respectively. Trading business and property investment recorded a segment loss of approximately HK\$2.92 million and HK\$1.91 million respectively while mineral mining, oil and gas business and financial business recorded a segment profit of approximately HK\$39.91 million and HK\$2.90 million respectively for the year ended 31 December 2016.

Human Resources

As at 31 December 2016, the total number of employees of the Group were 355, of which 26 were commission based. The total staff cost (including directors' remuneration) for the year ended 31 December 2016 was approximately HK\$32.79 million.

The Group provided competitive salary package and other benefits, including mandatory provident fund, medical schemes and bonus, to attract and retain high caliber staff.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Results

For the six months ended 30 June 2017, the Group recorded revenue of approximately HK\$97.96 million, representing an increase of approximately 8.82% as compared to that of the previous corresponding period. The increase was mainly attributable to the rental income from the Beijing Property acquired by the Group in November 2016. The Group's profit attributable to the owners of the Company for the six months ended 30 June 2017 was approximately HK\$159.50 million as compared to a loss attributable to the owners of the Company of approximately HK\$15.59 million for the last corresponding period. The turnaround was mainly attributable to the recognitions of fair value change on investment properties of approximately HK\$130.21 million and the introduction fee of approximately HK\$45.20 million for facilitating the sale and purchase of 45.00% equity interest in Hebei Panbao during the period under review.

Business Review

During the period under review, the Group had four major business segments, namely (i) trading business; (ii) oil and gas and mineral mining business; (iii) financial business; and (iv) property investment.

(a) Trading business

The trading business of the Group involved sales of natural resources and petrochemical products.

(b) Oil and gas and mineral mining business

Oil and gas

The Group owned 100% of the exploration, exploitation and operation rights as well as the profit sharing right of Madagascar Oilfield Block 2101. Pursuant to the exploration, exploitation and oil and gas production sharing contract, the Group was entitled to share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5%, depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101.

Mineral mining

As at 30 June 2017, the Group owned 65% interest in the rights granted under the licences in respect of Kenya Mine 253 and Kenya Mine 341. Pursuant to the licences and relevant provisions of the Mining Act of Kenya, the Group was authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 and to prospect and explore gold, iron ore and non-precious minerals in Kenya Mine 341. The latest expiry dates for the licences of Kenya Mine 253 and Kenya Mine 341 are 14 April 2017 and 2 January 2017 respectively. The Group is in the process of renewing the licences.

Mining and production of zeolite

During the period under review, the principal activities of Hebei Panbao were mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao obtained the mining licence in a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters from the Bureau of Land and Resources of Zhangjiakou Municipal for the period from 23 April 2014 to 23 February 2017, which was subsequently further extended to 15 May 2022.

The sale of 45% equity interest of Hebei Panbao from the original shareholder to Hoifu United Group Limited was completed by the end of March 2017 and the profit guarantee provided by Hoifu United Group Limited started thereafter. As Hebei Panbao underwent a major transition during the period under review, the performance of Hebei Panbao was affected adversely. The revenue generated from Hebei Panbao decreased significantly by approximately 61.7% from approximately HK\$75.11 million for the six months ended 30 June 2016 to approximately HK\$28.74 million for the six months ended 30 June 2017.

(c) Financial business

The revenue of the financial business of the Group declined by approximately 26.13% from approximately HK\$14.90 million for the six months ended 30 June 2016 to approximately HK\$11.01 million for the six months ended 30 June 2017. It was mainly attributable to decrease in interest income from client and the advisory and consultancy fee. The performance during the period under review continued to show disappointment against the growth of the market indices which advanced by more than 10.00% in the review period.

The market initially still fell in range trading on the worry of the movement of United States interest policy and the political and economic development in the PRC before May 2017. Until the news of inclusion of the PRC's domestic "A" shares in the MSCI Emerging Markets index, the market saw clear uptrend as institutional buying entered for the rebalancing of their international portfolio next year. However, the buying only focused on a few big cap stocks and had not spilled over to across-the-board. On the contrary, the small counters had been hammered by the financial scandals, keeping the retail investors to be cautious and sidelined. Though the market indices still saw strong recent new highs thereafter, this concentration pattern of trading persisted and small counters remained to be weak and quiet.

(d) Property investment

The Group completed its acquisition of a company together with its interest in the Beijing Property on 30 November 2016. The monthly rental income generated from the leasing of the Beijing Property amounted to approximately HK\$1.70 million. The existing tenancy agreement for the entire area of the Beijing Property covers a leasing period of two years, commencing from 15 June 2016 to 15 June 2018. In addition, pursuant to a lease agreement on advertising signage board on the external walls of office building, the leasing of the advertising signage board would provide an additional monthly rental income of RMB400,000 for a two-year period expiring on 15 July 2018. For the six months ended 30 June 2017, the rental income was amounted to approximately HK\$9.80 million.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure sufficient funding is available to meet all contractual financial commitments, fund the business growth and generate reasonable returns for the Shareholders. The Group's capital expenditure, daily operations and investment were mainly funded by cash generated from its operations, loan from financial institutions and equity financing.

As at 30 June 2017, the Group had cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of approximately HK\$127.25 million, which were denominated in United States dollar and RMB. During the six months ended 30 June 2017, the Group obtained short-term bank borrowings to provide margin financing to clients for applications of initial public offerings and to finance its daily operations as well as investments. As at 30 June 2017, the Group had borrowings of HK\$60 million. As at 30 June 2017, the current assets and current liabilities of the Group were approximately HK\$751.54 million and HK\$404.42 million respectively, representing a current ratio of approximately 1.86. The net current assets and net assets of the Group were approximately HK\$347.12 million and HK\$1,088.48 million respectively as at 30 June 2017. The gearing ratio of the Group, as expressed as a ratio of total borrowings (including bank loans and overdrafts) to shareholders' funds, was 0.06 as at 30 June 2017.

On 23 May 2017, the Company announced to issue corporate bonds in an aggregate principal amount of up to HK\$50.00 million bearing interest rate of 7.00% per annum with maturity ranging from 5 years to 7.5 years from the date of issue. As at 30 June 2017, the Company had issued corporate bonds in aggregate principal amount of HK\$11.00 million.

The Group undertook certain operating transactions in foreign currencies, which exposed the Group to foreign currency risk, mainly to the risk of fluctuations in the HK\$ and United States dollar against RMB. The Group did not use any derivative contract to hedge against its exposure to currency risk. The Group managed the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The total number of issued Shares as at 30 June 2017 was 2,521,280,885.

Contingent Liabilities

The Company provided a guarantee to a bank in respect of the securities margin financing facilities granted to a subsidiary. As at 30 June 2017, no facilities were utilized by the subsidiary.

Charge on Assets

As at 30 June 2017, the Group had banking facilities obtained from various banks, which were secured by guarantees provided by the Company and the Group's bank deposits. As at 30 June 2017, bank deposits amounted to approximately HK\$5.23 million was pledged to secure banking facilities granted to a subsidiary.

Material Investments, Acquisitions or Disposals

There were no material investments, acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2017.

Capital commitment

As at 30 June 2017, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group categorized its businesses into four reportable segments, namely trading business, mineral mining, oil and gas business, financial business and property investment. For the six months ended 30 June 2017, the revenue from the segments of trading business, mineral mining, oil and gas business, financial business and property investment amounted to approximately HK\$47.70 million, HK\$28.74 million, HK\$11.01 million and HK\$10.50 million respectively, which accounted for approximately 48.70%, 29.34%, 11.24% and 10.72% of the Group's total turnover respectively. Trading business, financial business and property investment recorded a segment profit of approximately HK\$0.15 million, HK\$0.59 million and HK\$8.66 million respectively while mineral mining, oil and gas business recorded a segment loss of approximately HK\$2.14 million for the six months ended 30 June 2017.

Human Resources

As at 30 June 2017, the total number of employees of the Group were 297, of which 24 were commission based. The total staff cost (including directors' remuneration) for the six months ended 30 June 2017 was approximately HK\$14.90 million.

The Group provided competitive salary package and other benefits, including mandatory provident fund, medical schemes and bonus, to attract and retain high caliber staff.

APPENDIX VIII

EXTRACT OF THE PROVISIONS IN THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE REGARDING ADJUSTMENT TO CONVERSION PRICE

The following are the provisions regarding adjustment to the Conversion Price of the Convertible Note extracted from the terms and conditions of the Convertible Note:

10. ADJUSTMENT

- 10.1 Subject as hereinafter provided, the Initial Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (a) to (g) inclusive of this Condition 10.1 it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
 - (a) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Initial Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:—

where:-

A = the revised nominal amount; and

B = the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or subdivision becomes effective.

(b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Initial Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:—

APPENDIX VIII

EXTRACT OF THE PROVISIONS IN THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE REGARDING ADJUSTMENT TO CONVERSION PRICE

where:-

C = the aggregate nominal amount of the issued Shares immediately before such issue; and

D = the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(c) If and whenever the Company shall make any Capital Distribution (as defined in Condition 10.2) (except where, and to the extent that, the Initial Conversion Price falls to be adjusted under sub-paragraph (b) above) to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Initial Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:—

where:-

- E = the market price (as defined in Condition 10.2) on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the Capital Distribution or, as the case may be, of the grant; and
- F = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank or the auditors of the Company for the time being, of the portion of the Capital Distribution or of such rights which is attributable to one Share;

Provided that:-

- (i) if in the opinion of the relevant approved merchant bank or auditors of the Company (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine, and in such event the above formula shall be construed as if F meant, the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (ii) the provisions of this sub-paragraph (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

(d) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price at the date of the announcement of the terms of the offer or grant, the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant) Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Noteholder (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the Conversion Rights under the Convertible Note in full on the day immediately preceding the record date for such offer or grant.

APPENDIX VIII

- If and whenever the Company shall issue wholly for cash any securities (e) (i) which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent, of the market price at the date of the announcement of the terms of issue of such securities, the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.
 - (ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (i) of this subparagraph (e) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or

subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (e), the "total Effective Consideration" receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (f) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.
- (g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share (as defined below) which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Initial Conversion Price shall be adjusted by multiplying the Initial Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator shall be the total Effective Consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which the Company determines the issue price for such Shares. For the purpose of this sub-paragraph

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EXTRACT OF THE PROVISIONS IN THE TERMS AND CONDITIONS OF THE CONVERTIBLE NOTE REGARDING ADJUSTMENT TO CONVERSION PRICE

(g), the "total Effective Consideration" shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "total Effective Consideration per Share" shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

(h) Other Events:

If the Company reasonably determines that an adjustment should be made to the Initial Conversion Price as a result of one or more events or circumstances not referred to in this Condition 10.1, the Company shall at its own expense, request its auditors for the time being, or an approved merchant bank, to determine (acting as experts) as soon as practicable what adjustment (if any) to the Initial Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Fixed Conversion Price) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 10.1 have already resulted or will result in an adjustment to the Initial Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Fixed Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 10.1 as may be advised by the auditors of the Company for the time being, or the approved merchant bank (as the case may be), to be in their opinion appropriate to give the intended result. If the auditors of the Company for the time being, or the approved merchant bank (as the case may be), finds that no adjustment shall be made, the Noteholder that raises such request for determination shall fully reimburse the Company the fees of the auditors, or the approved merchant bank (as the case may be).

10.2 For the purposes of this Condition 10:

"announcement" shall include the release of an announcement to the press or the delivery or transmission by telephone, telex, facsimile transmission or otherwise of an announcement to the Stock Exchange and "date of announcement" shall mean the date on which the announcement is first so released, delivered or transmitted;

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"Capital Distribution" shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after 31 December 2013 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period;

"issue" shall include allot;

"market price" means the average of the closing prices per Share on the Stock Exchange for each of the last five Stock Exchange trading days on which dealings in the Shares on the Stock Exchange took place ending on such trading day last preceding the day on or as of which the market price is to be ascertained;

"Shares" includes, for the purposes of Shares comprised in any issue, distribution, grant or offer pursuant to sub-paragraphs (b), (c), (d), (e), (f) or (g) of Condition 10.1, any such ordinary shares of the Company as, when fully paid, shall be Shares;

"reserves" includes unappropriated profits; and

"rights" includes rights in whatsoever form issued.

10.3 The provisions of Condition 10.1 shall not apply to:-

- (a) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Convertible Note) to acquire Shares, provided that an adjustment has been made under this Condition 10 in respect of the issue of such securities or granting of such rights (as the case may be);
- (b) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share option scheme in existence as at the date of issue of the Convertible Note, or pursuant to options granted under any other share option schemes. For the avoidance of doubt, this sub-paragraph (b) shall not be applicable if the terms of such scheme shall be modified after the date of issue of the Convertible Note unless prior written consent from all the Noteholders has been obtained for such modification:

- (c) an issue by the Company of Shares or by the Company or any subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made under this Condition 10 (if appropriate) in respect of the issue of such securities or granting of such rights (as the case may be);
- (d) an issue of fully-paid Shares by way of capitalisation of all or part of any subscription right reserve, or any similar reserve which has been or may be established pursuant to the terms of any securities wholly or partly convertible into, or rights to acquire, Shares; or
- (e) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110% of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of a Share shall mean the average of the closing prices per Share on the Stock Exchange for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than 5 such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash.
- 10.4 Any adjustment to the Initial Conversion Price shall be made to the nearest one cent so that any amount under one-twentieth of a cent shall be rounded down and any amount of one-twentieth of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Initial Conversion Price then in force (except upon any consolidation of the Shares).
- 10.5 Notwithstanding anything contained herein, no adjustment shall be made to the Initial Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this Condition 10 would be less than one tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward.

- 10.6 If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved merchant bank to consider whether any adjustment to the Initial Conversion Price is appropriate (and if such approved merchant bank shall certify that any such adjustment is appropriate, the Initial Conversion Price shall be adjusted accordingly and the provisions of Conditions 10.4, 10.5 and 10.8 shall apply).
- 10.7 Notwithstanding the provisions of Condition 10.1, in any circumstances where the directors of the Company shall consider that an adjustment to the Initial Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Initial Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank to be in its opinion appropriate.
- 10.8 Whenever the Initial Conversion Price is adjusted as herein provided the Company shall give prompt notice of the same to the Noteholder (setting forth the event giving rise to the adjustment, the Initial Conversion Price in effect prior to such adjustment, the adjusted Initial Conversion Price and the effective date thereof).
- 10.9 Notwithstanding any other provision of this Condition 10, if application of any of the provisions of this Condition 10 would (but for this Condition 10.9) result in the Initial Conversion Price being reduced so that on conversion, Shares would fall to be issued at a discount to their nominal value, then the adjustment shall be made to such an extent as would result in the Initial Conversion Price being equal to the then nominal value of one Share.

- 10.10 Every adjustment to the Initial Conversion Price shall be certified in writing either by the auditors of the Company for the time being or by an approved merchant bank (as defined herein). The certificate shall also confirm that no adjustment has been made to the Initial Conversion Price for the period between the date of the last adjustment (or, if no adjustment has been made, the date of issue of the Convertible Note) and the date immediately preceding the occurrence of the event giving rise to this adjustment.
- 10.11 The Company shall make available for inspection at its principal place of business in Hong Kong at all times so long as the Convertible Note remains outstanding, a signed copy of the certificate of the auditors of the Company or the relevant approved merchant bank (as the case may be) in respect of each adjustment to the Initial Conversion Price and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to each adjustment, the Initial Conversion Price in effect prior to the adjustment, the adjusted Initial Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Noteholder.
- 10.12 In giving any certificate or making any adjustment hereunder, the auditors of the Company or (as the case may be) the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decisions shall be conclusive and binding on the Company and the Noteholder and all persons claiming through or under them respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interest in the shares, underlying shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

		Approximate percentage of issued share		
Name of Director	Capacity	Number of Shares held	capital of the Company	
Dr. Hui (Note)	Interest of controlled corporations	1,815,911,427	72.02%	

Note: These Shares included (i) 830,821,143 Shares held by Triumph Energy Group Limited, a company beneficially and indirectly owned as to 92.67% by Dr. Hui through Golden Nova Holdings Limited and Simply Superb Holdings Limited; (ii) 39,966,000 Shares by Wisdom On Holding Limited, a company beneficially and indirectly wholly-owned by Dr. Hui; (iii) 4,018,000 Shares by Taiming Petroleum Group Limited, a company directly wholly-owned by Dr. Hui; and (iv) 941,106,284 Shares by Golden Nova Holdings Limited, a company directly wholly-owned by Dr. Hui.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

On 31 May 2013, the Group leased from Gahood Holding Company Limited, a company wholly-owned by Dr. Hui, the office space located at Unit 9 (portion) and Units 10-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong for an initial term of two years at a monthly rent of HK\$180,000. Such agreement was renewed in May 2015 to extend the tenancy period for two years expiring on 31 May 2017 at a monthly rent of HK\$200,000. The tenancy agreement was further renewed and extended with the tenancy period expiring on 31 May 2019 and the monthly rent was adjusted to HK\$210,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) Interests in contracts

As at the Latest Practicable Date, there were no contracts or arrangements subsisting in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

(d) Interests in competing business

As at the Latest Practicable Date, the Directors had the following competing interests:

Name of Director	Name of entity with competing business	Nature of competing business	Nature of interest
Dr. Hui	Shan Zhang Company	Mining	Being a substantial
	Limited (Note)		shareholder and
			a director

Note: Dr. Hui beneficially owned 60% of the equity interest of Shan Zhang Company Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors and their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which are not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group were as follows:

Name	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Triumph Energy Group Limited (Note 1)	Beneficial owner	830,821,143	32.95%
Golden Nova Holdings Limited (Note 2)	Beneficial owner	941,106,284	37.33%
Taiming Petroleum Group Limited (Note 2)	Beneficial owner	4,018,000	0.16%
Wisdom On Holding Limited (Note 3)	Beneficial owner	39,966,000	1.58%

Notes:

- Triumph Energy Group Limited was beneficially and indirectly owned as to 92.67% by Dr. Hui through
 Golden Nova Holdings Limited and Simply Superb Holdings Limited as at the Latest Practicable Date. Dr.
 Hui, being a Director, was also a director of Triumph Energy Group Limited as at the Latest Practicable
 Date.
- Golden Nova Holdings Limited and Taiming Petroleum Group Limited were directly wholly-owned by Dr.
 Hui as at the Latest Practicable Date. Dr. Hui was also a director of each of Golden Nova Holdings Limited
 and Taiming Petroleum Group Limited.
- Wisdom On Holding Limited was directly wholly-owned by Hoifu Petroleum Group Investment Limited, a
 company wholly-owned by Dr. Hui, as at the Latest Practicable Date. Dr. Hui was also a director of Wisdom
 On Holding Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

4. MATERIAL LITIGATION

On 8 November 2017, a writ of summons was issued in the High Court of Hong Kong by the Company as the 1st plaintiff and 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited*) as the 2nd plaintiff claiming against Hoifu United Group Limited as the 1st defendant, Mr. Weng Tao as the 2nd defendant and Mr. Ji Hailin as the 3rd defendant for, *inter alia*, breach of the agreement dated 31 August 2016 (as supplemented and amended by the supplemental agreements dated 9 September 2017 and 21 September 2017) entered into among Guangdong Hoifu Energy Limited, Ms. Zhang Ling, Hoifu United Group Limited, 河北攀寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.*) and the Company in relation to, among other things, the guaranteed profit (the "Claim"). The Claim for each and respective defendants are (i) the payment of the guaranteed profit in the total amount of RMB588 million; (ii) interests on the said sum; (iii) costs; and (iv) further and/or other reliefs.

Save as disclosed above, as at the Latest Practicable Date, there were no litigations or claims of material importance, known to the Directors, pending or threatened against any member of the Enlarged Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the fourth supplemental agreement dated 29 January 2016 entered into among Hoifu Energy Investments Holding Limited, a wholly-owned subsidiary of the Company, the Company, Madagascar Natural Gas Group Limited, Oriental Bliss Holdings Limited and Madagascar Southern Petroleum Company Limited, being the parties to the sale and purchase agreement dated 4 August 2015 regarding the acquisition of the entire issued share capital of Oriental Bliss Holdings Limited for a consideration of HK\$750 million, subject to adjustment (the "Oriental Bliss Acquisition"), for further extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;

- (b) a sale and purchase agreement dated 4 February 2016 entered into between 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited), a wholly-owned subsidiary of the Company, and Mr. Kwong Kin Wah, an independent third party, in relation to the acquisition of the entire equity interest in 北京匯興泰投資有限公司 (Beijing Huixintai Investments Limited) for a consideration of RMB130.00 million (the "Beijing Huixintai Acquisition");
- (c) a termination agreement dated 11 February 2016 entered into between the parties to the sale and purchase agreement dated 4 February 2016 regarding the Beijing Huixintai Acquisition for terminating the sale and purchase agreement;
- (d) the fifth supplemental agreement dated 30 April 2016 entered into among the parties to the sale and purchase agreement dated 4 August 2015 regarding the Oriental Bliss Acquisition for further extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;
- (e) a promoters' agreement dated 19 May 2016 entered into between Karl-Thomson Securities Company Limited, a wholly-owned subsidiary of the Company, and five copromoters, all being independent third parties, in relation to the set-up of a joint venture securities company in the PRC with total registered capital of RMB3,500.00 million. The joint venture securities company shall be owned as to 10.00% by Karl-Thomson Securities Company Limited;
- (f) a termination agreement dated 10 June 2016 entered into between the parties to the sale and purchase agreement dated 4 August 2015 regarding the Oriental Bliss Acquisition for terminating the sale and purchase agreement (as supplemented by the supplemental agreements);
- (g) a sale and purchase agreement dated 13 June 2016 entered into between Hoifu Energy Holdings Limited, a wholly-owned subsidiary of the Company, Golden Nova and the Company in relation to the Previous Acquisition for a consideration of approximately RMB433.35 million;
- (h) a subscription agreement dated 14 July 2016 entered into between the Company and Mr. Weng Tao, an independent third party, in relation to the subscription of 50,000,000 Shares by Mr. Weng Tao at a subscription price of HK\$0.70 per subscription share;

- (i) a supplemental agreement dated 30 July 2016 entered into among the parties to the sale and purchase agreement dated 13 June 2016 regarding the Previous Acquisition for extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;
- (j) the second supplemental agreement dated 31 August 2016 entered into among the parties to the sale and purchase agreement dated 13 June 2016 regarding the Previous Acquisition for further extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;
- (k) a sale and purchase agreement dated 31 August 2016 entered into between 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited), a wholly-owned subsidiary of the Company, the Company, Hoifu United Group Limited, Ms. Zhang Ling and 河北攀寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.) ("Hebei Panbao") in relation to (i) the acquisition of 45.00% equity interest of Hebei Panbao from Ms. Zhang Ling for a consideration of RMB200.00 million and disposal of the said equity interest to Hoifu United Group Limited for a consideration of RMB260.00 million; and (ii) the contracting of the investment and operation of Hebei Panbao to Hoifu United Group Limited (the "Hebei Panbao Transaction");
- (1) a supplemental agreement dated 9 September 2016 entered into among the parties to the sale and purchase agreement dated 31 August 2016 regarding the Hebei Panbao Transaction to amend certain terms of the sale and purchase agreement so that (i) the Group would not participate as a buyer or seller in the sale and purchase of 45.00% equity interest of Hebei Panbao but, as a referrer, receive an introduction fee of RMB60.00 million from Hoifu United Group Limited; and (ii) Hoifu United Group Limited would be responsible for the investment and operation of Hebei Panbao with profit guarantee provided, instead of contracting the investment and operation of Hebei Panbao to Hoifu United Group Limited;
- (m) the second supplemental agreement dated 21 September 2016 entered into among the parties to the sale and purchase agreement dated 31 August 2016 regarding the Hebei Panbao Transaction (as supplemented by the supplemental agreement) to amend the terms of the profit guarantee;
- (n) the third supplemental agreement dated 30 September 2016 entered into among the parties to the sale and purchase agreement dated 13 June 2016 regarding the Previous Acquisition for further extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;

- (o) a sale and purchase agreement dated 30 December 2016 entered into between 河北攀 寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.), a non-wholly-owned subsidiary of the Company, and Mr. Xia Yu Lin (夏玉林先生), an independent third party, in relation to the disposal of the entire equity interest in 天津市攀寶舜天 國際貿易有限公司 (Tianjin Panbao International Trading Limited) for a consideration of RMB3.00 million; and
- (p) the Agreement.

Save as disclosed above, no material contracts (not being contract entered into in the ordinary course of business) were entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date.

6. EXPERT AND CONSENT

(a) The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

Donvex Capital Ltd. a licensed corporation to conduct Type 6

(advising on corporate finance) regulated

activity under the SFO

Elite Partners Certified Public Accountants, Hong Kong

Malcolm & Associates Appraisal Independent qualified professional valuer

Limited

(b) Each of the above-named experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

- (c) As at the Latest Practicable Date, none of the above-named experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, none of the above-named experts had any interest, direct or indirect, in any asset which has been, since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. GENERAL

- (a) The registered office and principal place of business of the Company in Hong Kong is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and Units 1910-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong respectively.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Fu Wing Kwok Ewing. Mr. Fu holds a bachelor degree in science, major in accounting. He is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (d) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Units 1910-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, up to and including the date of the SGM:

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for the year ended 31 December 2016 and 31 December 2015:
- (c) the interim report of the Company for the six months ended 30 June 2017;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 53 of this circular;
- (f) the accountants' report on the Target Group prepared by Elite Partners for the period from 7 August 2015 (date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the nine months ended 30 September 2017, the text of which is set out in Appendix II to this circular;
- (g) the report prepared by Elite Partners on the unaudited pro forma financial statements of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (h) the report prepared by the Valuer on the valuation of the property interest of the Target Group, the text of which is set out in Appendix IV to this circular;
- (i) the report prepared by the Valuer on the valuation of the Target Group, the text of which is set out in Appendix V to this circular;
- (j) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix; and
- (k) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.

NOTICE OF SGM



(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

NOTICE IS HEREBY GIVEN that a special general meeting of Hoifu Energy Group Limited (the "Company") will be held at 3:00 p.m. on 13 February 2018 at Units 1910-12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

"THAT

the sale and purchase agreement dated 28 July 2017 (as supplemented and amended by (a) the supplemental agreements dated 28 October 2017 and 31 December 2017) (the "Agreement") (a copy of which marked "A" has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) entered into among Hoifu Energy Holdings Limited (the "Purchaser"), Hoifu Group Investment Holdings Limited (the "Vendor") and the Company in relation to the acquisition of the entire issued share capital of New Guangdong Merchants Investment Holding Group Limited (the "Target") and the entire debt owed by the Target and its subsidiaries to the Vendor and any of its affiliates immediately before completion of the Agreement on any account whatsoever and whether or not then due for payment by the Purchaser for a total consideration of RMB1,100.00 million (equivalent to approximately HK\$1,272.04 million), details of which are set out in the circular of the Company dated 29 January 2018 (the "Circular") to the shareholders, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

NOTICE OF SGM

(b) the directors of the Company be and are hereby authorized to do all such acts and things and execute such further documents and take all steps which, in their opinion may be necessary, desirable, or expedient to implement and give effect to the terms of, and all transactions contemplated under, the Agreement for and on behalf of the Company and to approve any change and amendment thereto as they may consider necessary, desirable or expedient."

By order of the Board

Hoifu Energy Group Limited

Dr. Hui Chi Ming, G.B.S., J.P.

Chairman

Hong Kong, 29 January 2018

Principal Place of Business in Hong Kong: Units 1910-12, 19th Floor China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan, Hong Kong

Notes:

- A member entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote instead of him/her in the special general meeting. A proxy need not be a member of the Company.
- 2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewelll Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the special general meeting or any adjourned meeting thereof should he/she so wish.
- 3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
- 4. As at the date of this notice, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the board of directors of the Company comprises eight executive directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Xu Jun Jia, Mr. Cao Yu, Mr. Ren Qian, Mr. Lam Kwok Hing M.H., J.P. and Mr. Nam Kwok Lun; and four independent non-executive directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan, Mr. Ng Chi Kin, David and Mr. Yim Kai Pung.