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UPDATE ON THE VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE CAPITAL INJECTION

References are made to the announcements of the Company dated 3 October 2013, 30 October 2013, 31 October 2013, 27 November 2013, 30 December 2013 and 4 February 2014 in relation to, among others, the Capital Injection (the “Announcements”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as ascribed thereto in the Announcements.

The Board would like to inform the Shareholders that there are substantial differences between the financial information of Qinzhou Hengyuan Group for the year ended 31 December 2012 disclosed in the announcement of the Company dated 3 October 2013, which have been prepared based on unaudited management accounts of Qinzhou Hengyuan and in accordance with accounting principles generally accepted in the PRC, and the preliminary audited results of Qinzhou Hengyuan Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong. According to the preliminary audited results, Qinzhou Hengyuan Group recorded net loss after taxation of approximately RMB85.6 million for the year ended 31 December 2012 and net liabilities of approximately RMB59.4 million as at 31 December 2012 instead of having a net profit after taxation of approximately RMB6.9 million for the year ended 31 December 2012 and net assets of approximately RMB82.7 million as at 31 December 2012 as set out in the announcement of the Company dated 3 October 2013.

The difference in the results of Qinzhou Hengyuan Group was mainly attributable to the recognition of an impairment loss on prepaid land lease of approximately RMB93.6 million by Qinzhou Hengyuan for the year ended 31 December 2012 due to a decline in value of the land owned by Qinzhou Hengyuan Group while the difference in the financial position of Qinzhou Hengyuan Group was mainly attributable to the recognition of the abovementioned impairment loss on prepaid land lease and the reversal of adjustment for the fair value change of approximately RMB46.1 million in the unaudited management accounts of Qinzhou Hengyuan.

Based on the preliminary audited results of Qinzhou Hengyuan Group, the financial information of Qinzhou Hengyuan Group is summarized as follows:

	For the eight months ended 31 August 2013 RMB'000	For the year ended 31 December 2012 RMB'000	For the year ended 31 December 2011 RMB'000	2010 RMB'000
Turnover	463,003	811,242	625,262	507,086
Profit/(loss) before taxation	8,850	(83,382)	(2,402)	(473)
Profit/(loss) and total comprehensive income/(expenses)	6,373	(85,579)	(2,402)	(473)
Net profit/(loss) attributable to owners of Qinzhou Hengyuan	<u>6,380</u>	<u>(84,609)</u>	<u>(2,402)</u>	<u>(473)</u>
	As at 31 August 2013 RMB'000	2012 RMB'000	As at 31 December 2011 RMB'000	2010 RMB'000
Total assets	289,131	359,513	161,978	87,580
Total liabilities	<u>(342,119)</u>	<u>(418,874)</u>	<u>(137,320)</u>	<u>(60,520)</u>
Net (liabilities)/assets	<u>(52,988)</u>	<u>(59,361)</u>	<u>24,658</u>	<u>27,060</u>
(Deficiency in assets)/equity attributable to owners of Qinzhou Hengyuan	<u>(53,571)</u>	<u>(59,951)</u>	<u>24,658</u>	<u>27,060</u>

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

Hong Kong, 5 February 2014

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