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**MAJOR AND CONNECTED TRANSACTION  
AND  
RESUMPTION OF TRADING**

**THE ACQUISITION**

On 15 December 2013, Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendors in respect of the purchase of 65% equity interest in the Target for a total consideration of RMB135,455,900 (equivalent to approximately HK\$172,555,287), which will be satisfied upon completion of the Acquisition as to (i) RMB45,747,100 (equivalent to approximately HK\$58,276,561) by payment of cash to Zhuhai Shengzhou; (ii) RMB33,231,300 (equivalent to approximately HK\$42,332,866) by the issue of the Consideration Shares to Beihai Tianxiang; and (iii) RMB56,477,500 (equivalent to approximately HK\$71,945,860) by payment of cash to Qinzhou Hengyuan.

The Acquisition constitutes a major transaction for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Yuchai Machinery, a substantial shareholder holding 35% of the Target's equity interest, is also a controlling shareholder holding, through its wholly-owned subsidiary, 49% equity interest of a non wholly-owned subsidiary of the Company as at the date of this announcement. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders have any interest in the Acquisition which is different from other Shareholders and none of the Vendors and their respective associates holds any Share as at the date of this announcement. Therefore, no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company will seek to obtain a written independent shareholder's approval for the Acquisition from Triumph Energy Group Limited, which is interested in 924,139,143 Shares, representing approximately 62.10% of the issued share capital of the Company, as at the date hereof, in lieu of holding a general meeting of the Company pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules.

## **GENERAL**

A circular containing, inter alia, further details of the Acquisition and other disclosures required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 January 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **RESUMPTION OF TRADING OF THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 16 December 2013, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 December 2013.

## **THE ACQUISITION**

The Board is pleased to announce that Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendors on 15 December 2013 to acquire 65% equity interest in the Target. Details of the Acquisition are set out as follows:

## **THE AGREEMENT**

### **Date**

15 December 2013

### **Parties to the Agreement**

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

Vendors: (i) Zhuhai Shengzhou, a company established under the laws of the PRC and is principally engaged in the business of investment holding. As at the date of the Agreement, Zhuhai Shengzhou held 20% equity interest in the Target;

- (ii) Beihai Tianxiang, a company established under the laws of the PRC and is principally engaged in the business of wholesale and retail of refined oil and operation of oil stations. As at the date of the Agreement, Beihai Tianxiang held 15% equity interest in the Target.

On 3 September 2013, Guangxi Hoifu Petroleum entered into an agreement with, among others, 深圳市晨曦實業有限公司 (Shenzhen Chenxi Industrial Co., Ltd.\*) to acquire 51% equity interest in Beihai Tianxiang. Upon completion of the acquisition, Beihai Tianxiang will be owned as to 51% by the Group, 24% by Shenzhen Chenxi Industrial Co., Ltd., 20% by Zhuhai Yuchai Yuwei Trading Co., Ltd. (a company indirectly owned as to 30% by Yuchai Machinery) and 5% by Ms. Xu Sue Ling. Details of the acquisition are set out in the Company's announcement dated 3 October 2013. As at the date of this announcement, the acquisition has not been completed yet; and

- (iii) Qinzhou Hengyuan, a company established under the laws of the PRC and is principally engaged in the business of storage of refined oil and petroleum products, wholesale and retail of refined oil and hazardous chemical products as well as provision of railway transportation services for refined oil and hazardous chemical products and aquatic oil stations and transportation services. As at the date of the Agreement, Qinzhou Hengyuan held 5% equity interest in the Target. Qinzhou Hengyuan agreed to acquire additional 25% equity interest in the Target from Shanxi Coal, which was interested in 25% equity interest of the Target as at the date of the Agreement, before completion of the Acquisition and procure the sale of 30% equity interest in the Target to Guangxi Hoifu Petroleum under the Acquisition.

On 30 August 2013, 廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited\*) entered into an agreement to invest in 51% equity interest in the registered capital of Qinzhou Hengyuan by way of capital injection. Upon completion of the capital injection, Qinzhou Hengyuan will be owned as to 51% by the Group and 49% by Mr. Ding Weier. Details of the capital injection are set out in the announcement of the Company dated 3 October 2013. As at the date of this announcement, the capital injection has not been completed yet.

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

Issuer: the Company.

Others: Yuchai Machinery, a company established under the laws of the PRC and is principally engaged in the business of manufacturing and sale of engines. As at the date of the Agreement, Yuchai Machinery held 35% equity interest in the Target and entered into the Agreement in the capacity of an existing shareholder of the Target. Yuchai Machinery is interested in 49% equity interest of a non-wholly-owned subsidiary of the Company and therefore a connected person of the Company.

### **Assets to be acquired**

The asset to be acquired under the Agreement is 65% equity interest in the Target.

### **Consideration**

The total consideration for the Acquisition is RMB135,455,900 (equivalent to approximately HK\$172,555,287), which will be satisfied upon completion of the Acquisition as to (i) RMB45,747,100 (equivalent to approximately HK\$58,276,561) by payment of cash to Zhuhai Shengzhou; (ii) RMB33,231,300 (equivalent to approximately HK\$42,332,866) by the issue of the Consideration Shares to Beihai Tianxiang; and (iii) RMB56,477,500 (equivalent to approximately HK\$71,945,860) by payment of cash to Qinzhou Hengyuan. It is anticipated that the cash consideration will be financed by internal resources of the Group and proceeds from fund raising activities to be carried out by the Company. As at the date hereof, no concrete terms on any fund raising activity have been concluded and the Company will make further announcement on any fund raising activity, if any, in compliance with the relevant requirements under the Listing Rules as and when appropriate.

The consideration of the Acquisition was determined after arm's length negotiations between Guangxi Hoifu Petroleum and each of the Vendors, taking into account the net asset value of the Target as at 31 August 2013 of approximately RMB188.3 million and the cost of capital of the Vendors for their investments in the Target.

### **Consideration Shares**

The Consideration Shares represent approximately 1.42% of the existing issued share capital of the Company and approximately 1.40% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Consideration Shares will rank *pari passu* in all respects with all other Shares in issue and will entitle the holder(s) to all dividends, and other distributions, rights or entitlements the record date for which falls after the relevant issue date of the Consideration Shares. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 27 June 2013, under which the maximum number of Shares which may be allotted and issued is 291,368,722 Shares. Up to the date of this announcement, the Company has allotted and issued 32,000,000 Shares under the aforesaid general mandate pursuant to the subscription as set out in the announcement of the Company dated 21 November 2013. Application will be made by the Company for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

## **Issue price of the Consideration Shares**

The issue price of the Consideration Shares is HK\$2.00 per Consideration Share, which is the same as the closing price of HK\$2.00 per Share as quoted on the Stock Exchange on the Last Trading Day and represents (i) a premium of approximately 3.95% over the average closing price of HK\$1.924 per Share for the last five trading days immediately prior to and including the Last Trading Day; (ii) a premium of approximately 8.75% over the average closing price of HK\$1.839 per Share for the last ten trading days immediately prior to and including the Last Trading Day; and (iii) a premium of approximately 1,076.47% over the net asset value of approximately HK\$0.17 per Share, calculated based on the consolidated net asset attributable to owners of the Company of approximately HK\$255,872,000 as at 30 June 2013 and 1,488,103,612 Shares in issue as at the date of this announcement.

The issue price of the Consideration Shares was arrived at after arm's length negotiations between Guangxi Hoifu Petroleum and Beihai Tianxiang with reference to the prevailing market price of the Shares and the current market conditions.

## **Conditions precedent**

Completion of the Acquisition is conditional upon, inter alia:

- (a) the Shareholders, other than those required to abstain from voting under the Listing Rules, having approved the Agreement and transactions contemplated thereunder;
- (b) the shareholder(s) and board of directors of each of Guangxi Hoifu Petroleum and the Company having approved the transactions contemplated under the Agreement;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (d) Guangxi Hoifu Petroleum and the Company having been satisfied with the result of the valuation on the Target and the equity interest in the Target held by the Vendors to be made by an independent valuer appointed by Guangxi Hoifu Petroleum and the Company;
- (e) Guangxi Hoifu Petroleum and the Company being satisfied with the results of the financial and legal due diligence on the Target to be carried out by independent auditors and lawyer appointed by Guangxi Hoifu Petroleum and the Company;
- (f) the amounts receivable from existing shareholders of the Target having been settled and deposited into the bank account of the Target; and
- (g) all the required approvals from the governmental authorities, if any, having been obtained in accordance with the relevant laws, legislations and rules of the PRC.

Completion of the Acquisition shall take place on the date on which all the conditions precedent of the Acquisition having been satisfied. If the conditions shall not have been fulfilled by 31 January 2014 or such later date as the parties to the Agreement may agree in writing, the Agreement shall terminate and of no effect.

## **Board composition of the Target**

Upon completion of the Acquisition, the board of directors of the Target will have nine members, six of which will be nominated by Guangxi Hoifu Petroleum while the remaining three members will be nominated by Yuchai Machinery.

## **INFORMATION ON THE TARGET**

The Target is a limited liability company established under the laws of the PRC in 2010 and was owned as to 35% by Yuchai Machinery, 25% by Shanxi Coal, 20% by Zhuhai Shengzhou, 15% by Beihai Tianxiang and 5% by Qinzhou Hengyuan as at the date of the Agreement. Its principal activities are manufacturing and sale of olefins and aromatics.

The Target has planned to construct an olefins and aromatics manufacturing plant with annual production capacity of 2 million tones at Qinzhou Petrochemical Industrial Park, Qinzhou Port with total area of approximately 2,100 mu, of which 1,873 mu will be used for production while the remaining area will be used for storage. The manufacturing plant shall have 10 heavy oil processing equipments for residue hydro-treating, heavy oil catalytic and gas fractionation etc. and 7 chemical processing equipments for production of styrene, polypropylene, methyl methacrylate, poly(methyl methacrylate), isopropanol, k-resin etc. Preliminary works of the manufacturing plant, including feasibility assessment, land pre-approval, planning and design, safety assessment and energy saving assessment have been completed. Currently, the Target is conducting an environmental assessment for the project and land requisition. It is expected that the construction of the manufacturing plant will be completed in 2015.

The Target will import heavy fuel oil as raw material and apply advanced technology for production of olefins and aromatics. It is expected that the production yield will be over 50%. Meanwhile, the Target will also develop downstream operations for production of other petrochemical products.

Based on the audit report of the Target, which have been prepared in accordance with accounting principles generally accepted in the PRC, the financial information of the Target is summarized as follows:

	<b>For the eight months ended 31 August 2013 RMB'000</b>	<b>For the year ended 31 December 2012                      2011 RMB'000                      RMB'000</b>	
Turnover	1,462	3,915	5,580
Net profit before taxation	1,378	3,692	5,262
Net profit after taxation	<u>1,034</u>	<u>2,769</u>	<u>3,947</u>
			<b>As at 31 August 2013 RMB'000</b>
Total assets			191,628
Total liabilities			<u>(3,307)</u>
Net assets			<u>188,321</u>

## **REASONS FOR THE ACQUISITION**

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

While having no present intentions to scale down or terminate its financial services business, the Group has made a series of acquisitions, business rationalization and diversification in 2013 to expand its business scope, especially in the area of natural resources and petrochemicals so as to further improve its performance. The Directors consider that the Acquisition is in line with the strategic development of the Group and can bring long-term and strategic benefits to the Company. The Directors expect that the Acquisition shall have synergy effect with the Group's proposed investments in other petrochemical projects in Guangxi. Together with the complimentary advantages of having large-scale petrochemical projects of China National Petroleum Corporation, and preferential policies for China-ASEAN Free Trade Area, in Guangxi, it is believed that the Acquisition shall lay a solid foundation and good operating conditions for the Group's long-term development of petrochemical business in Guangxi.

Furthermore, the Directors believe that the Acquisition will broaden the Group's income source in the future and facilitate the further cooperation with Yuchai Machinery. Being a shareholder holding 35% equity interest of the Target, Yuchai Machinery has strong financial strength. Yuchai Machinery and its subsidiaries (collectively, the "Yuchai Machinery Group") is the largest independent diesel engine manufacturer in the PRC which generates annual revenue of over RMB40 billion and annual engine sales volume of 550,000 units. Yuchai Machinery Group manufactures a variety of heavy-duty diesel and gas engines for use in vehicles, ships, construction machinery, agricultural machinery and electricity generating equipment. It has production bases in various areas, such as Fujian, Jiangsu, Anhui and Shandong. It also has an extensive sales and services network comprising over 20,000 employees, 45 domestic and overseas offices, 3,000 service outlets, 95 overseas services agents and over 4,500 sales outlets for parts. Apart from sales in the PRC, products of Yuchai Machinery Group also reach out to Asia, Europe, America, Africa and Oceania with products sold to over 180 countries and regions. The Directors are of the opinion that the terms of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, upon completion of the Acquisition, assuming there being no other changes in the issued share capital and the shareholding structure of the Company after the date of this announcement.

	As at the date of this announcement		Upon completion of the Acquisition	
	Number of Shares	%	Number of Shares	%
Triumph Energy Group Limited ( <i>Note 1</i> )	924,139,143	62.10	924,139,143	61.23
J&A Investment Limited ( <i>Note 2</i> )	127,718,000	8.58	127,718,000	8.46
Beihai Tianxiang	—	—	21,166,433	1.40
Other public Shareholders	436,246,469	29.32	436,246,469	28.91
	<u>1,488,103,612</u>	<u>100.00</u>	<u>1,509,270,045</u>	<u>100.00</u>

*Notes:*

- Triumph Energy Group Limited is owned as to 45.84% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, 37.5% by AMA Energy Group Limited, which is owned as to 69.8% by Dr. Hui Chi Ming, 21.7% by Mr. Zheng Kangbao and 8.5% by Mr. Wang Xinqing, and 16.66% by Simply Superb Holdings Limited, which is owned as to 46.1% by Mr. Zhao Ying, 44.2% by Mr. Xu Zhenhui and 9.7% by Mr. Zheng Kangbao as at the date of this announcement.
- J&A Investment Limited is owned as to 80% by Mr. Lam Kwok Hing, a Director, and 20% by Mr. Nam Kwok Lun, a Director, as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

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

Yuchai Machinery, a substantial shareholder holding 35% of the Target's equity interest, is also a controlling shareholder holding, through its wholly-owned subsidiary, 49% equity interest of a non wholly-owned subsidiary of the Company as at the date hereof. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders have any interest in the Acquisition which is different from other Shareholders and none of the Vendors and their respective associates holds any Share as at the date of this announcement. Therefore, no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company will seek to obtain a written independent shareholder's approval for the Acquisition from Triumph Energy Group Limited, which is owed as to (i) 45.84% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director; (ii) 37.5% by AMA Energy Group Limited, which is owned as to 69.8% by Dr. Hui Chi Ming, 21.7% by Mr. Zheng Kangbao and 8.5% by Mr. Wang Xinqing; and (iii) 16.66% by Simply Superb Holdings Limited, which is owned as to 46.1% by Mr. Zhao Ying, 44.2% by Mr. Xu Zhenhui and 9.7% by Mr. Zheng Kangbao as at the date of this announcement, in lieu of holding a general meeting of the Company pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules. As at the date of this announcement, Triumph Energy Group Limited is interested in 924,139,143 Shares, representing approximately 62.10% of the issued share capital of the Company.

## **GENERAL**

A circular containing, inter alia, further details of the Acquisition and other disclosures required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31 January 2014 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **TRADING HALT AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 16 December 2013, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 December 2013.

## DEFINITIONS

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

“Acquisition”	the acquisition of 65% equity interest in the Target by Guangxi Hoifu Petroleum in accordance with the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 15 December 2013 entered into among Guangxi Hoifu Petroleum, the Company, the Vendors and Yuchai Machinery in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beihai Tianxiang”	北海天翔航空油料儲運有限責任公司 (Beihai Tianxiang Aviation Oil Storage and Transportation Co., Ltd.*), a limited liability company established under the laws of the PRC
“Board”	the board of Directors
“Company”	Hoifu Energy Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Share(s)”	21,166,433 Shares to be issued by the Company, as part of the consideration for the Acquisition, to Beihai Tianxiang in accordance with the terms and conditions of the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi Hoifu Petroleum”	廣西凱富石油有限公司 (Guangxi Hoifu Petroleum Limited*), a company established under the laws of the PRC and is wholly-owned by the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	13 December 2013, being the last trading day of the Shares on the Stock Exchange before the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qinzhou Hengyuan”	廣西欽州恒源石化有限公司 (Guangxi Qinzhou Hengyuan Petrochemical Co., Ltd.*), a limited liability company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Coal”	陝西煤業化工集團(上海)勝幫化工技術有限公司 (Shanxi Coal Chemical Group Shanghai Shengbang Chemical Technology Co., Ltd.*), a limited liability company established under the laws of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	北部灣玉柴能源化工有限公司 (Beibuwan Yuchai Energy Chemical Co., Ltd.*), a limited liability company established under the laws of the PRC
“Vendors”	Beihai Tianxiang, Qinzhou Hengyuan and Zhuhai Shengzhou
“Yuchai Machinery”	廣西玉柴機械集團有限公司 (Guangxi Yuchai Machinery Group Co., Ltd.*), a limited liability company established under the laws of the PRC
“Zhuhai Shengzhou”	珠海市晟洲投資有限公司 (Zhuhai Shengzhou Investment Co., Ltd.*), a limited liability company established under the laws of the PRC
“%”	per cent

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

Hong Kong, 19 December 2013

*For the purposes of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB0.785 to HK\$1. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.*

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

*\* for identification purpose only*