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**VERY SUBSTANTIAL ACQUISITIONS
TERMINATION OF GUANGXI QINZHOU TAIXING ACQUISITION
AND
RESUMPTION OF TRADING**

VERY SUBSTANTIAL ACQUISITIONS

The Capital Injection

On 30 August 2013 (after trading hours), the Company, Guangxi Hoifu Energy, a wholly-owned subsidiary of the Company, Mr. Ding, the sole existing shareholder of Qinzhou Hengyuan, and Qinzhou Hengyuan entered into the Capital Injection Agreement, pursuant to which Guangxi Hoifu Energy agreed to subscribe for 51% equity interest of Qinzhou Hengyuan by way of capital injection of RMB187,300,000 (equivalent to approximately HK\$237,871,000) into Qinzhou Hengyuan.

Qinzhou Hengyuan Group is principally engaged in 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.

The Capital Injection constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Capital Injection which is different from other Shareholders and none of Mr. Ding, Qinzhou Hengyuan and their respective associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Capital Injection Agreement and the transactions contemplated thereunder.

The Acquisition

On 3 September 2013, Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with, among others, the Vendor, an independent third party, in respect of the purchase of 51% equity interest in each of Guangxi Chenxi and Beihai Tianxiang for a total consideration of RMB280,501,103 (equivalent to approximately HK\$356,236,401), which will be satisfied as to RMB93,500,368 (equivalent to approximately HK\$118,745,467) by payment of cash and RMB187,000,735 (equivalent to approximately HK\$237,490,934) by issue of the Convertible Notes with an initial conversion price of HK\$1.3 per Conversion Share, subject to adjustment.

The principal activities of Guangxi Chenxi include (i) development, construction and operation of liquefied petroleum gas terminals and integrated service facilities; (ii) storage and sale of liquefied petroleum gas; and (iii) sale of fuel oil, lubricating oil, solvent oil and other petrochemical products. Beihai Tianxiang Group is principally engaged in wholesale and retail of refined oil and operation of oil stations.

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Acquisition which is different from other Shareholders and none of the Vendor and its associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

TERMINATION OF GUANGXI QINZHOU TAIXING ACQUISITION

As the conditions precedent of the Guangxi Qinzhou Taixing Acquisition, among others, the valuation on the net asset value of Guangxi Qinzhou Taixing Petrochemical Co., Ltd. valued by an independent valuer appointed by Guangdong Hoifu Energy Limited being not less than RMB200 million had not been fulfilled by 15 September 2013 and the parties to the Guangxi Qinzhou Taixing Agreement failed to agree on an extension of time to fulfill the conditions precedent to completion of the Guangxi Qinzhou Taixing Acquisition, the parties mutually agreed not to proceed with the Guangxi Qinzhou Taixing Acquisition and the Guangxi Qinzhou Taixing Agreement was terminated with effect from 16 September 2013.

GENERAL

A circular containing, inter alia, further details of the Capital Injection and the Acquisition, other disclosures required under the Listing Rules and a notice of the SGM is expected to be despatched to the Shareholders on or before 30 October 2013 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 2 September 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 4 October 2013.

THE CAPITAL INJECTION

The Board is pleased to announce that Guangxi Hoifu Energy, a wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with, among others, Mr. Ding, the sole existing shareholder of Qinzhou Hengyuan, and Qinzhou Hengyuan on 30 August 2013 (after trading hours) to invest in 51% equity interest in the registered capital of Qinzhou Hengyuan by way of Capital Injection. Details of the Capital Injection are set out as follows:

THE CAPITAL INJECTION AGREEMENT

Date

30 August 2013

Parties to the Capital Injection Agreement

- (a) Guangxi Hoifu Energy, a company established under the laws of the PRC and is wholly-owned by the Company;
- (b) Mr. Ding Wei Er, who is the sole shareholder of Qinzhou Hengyuan as at the date of the Capital Injection Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Ding is a third party independent of the Company and connected persons of the Company;
- (c) Qinzhou Hengyuan, a limited liability company established under the laws of the PRC; and
- (d) the Company.

Subject matter

Pursuant to the Capital Injection Agreement, Guangxi Hoifu Energy will inject RMB187,300,000 into the registered capital of Qinzhou Hengyuan. As at the date of the Capital Injection Agreement, Qinzhou Hengyuan had a total registered capital of RMB30,000,000. Therefore, the registered capital of Qinzhou Hengyuan will increase to RMB217,300,000 upon completion of the Capital Injection. Guangxi Hoifu Energy and Mr. Ding will be interested in 51% and 49% of the equity interest of Qinzhou Hengyuan respectively upon completion of the Capital Injection. The additional capital funding will be used for expanding the operation scale of the wholesale and retail business of refined oil of Qinzhou Hengyuan Group and construction of oil depots.

Consideration

The consideration for the Capital Injection is RMB187,300,000 (equivalent to approximately HK\$237,871,000), which shall be satisfied in cash upon completion of the Capital Injection and financed by proceeds from fund raising activities to be carried out by the Company. The Company is in negotiation with certain third parties independent of each of (i) the Company and its connected persons; (ii) Mr. Ding; and (iii) the Vendor to raise funding of approximately HK\$250,000,000, by way of issue of securities, for the Capital Injection and the Acquisition, but no concrete terms have been concluded yet. It is expected that the fund

raising exercise will be completed before the completion of the Capital Injection and the Acquisition. The Company will make further announcement on the fund raising activities, if any, in compliance with the relevant requirements under the Listing Rules as and when appropriate.

The amount of the Capital Injection was determined after arm's length negotiations between Guangxi Hoifu Energy and Mr. Ding with reference to the fair value of the net assets of Qinzhou Hengyuan Group as at 30 June 2013 of approximately RMB180,100,000 (equivalent to approximately HK\$228,700,000) valued under asset-based approach by an independent valuer in the PRC engaged by Qinzhou Hengyuan.

Profit guarantees

Mr. Ding undertakes and guarantees that the audited annual turnover and the audited annual net profit after tax of Qinzhou Hengyuan Group shall not be less than RMB4 billion and RMB40,000,000 respectively for each of the five years on a 12-month rolling basis commencing from the date of completion of the Capital Injection. In the event that the audited annual net profit after tax of Qinzhou Hengyuan Group is less than RMB40,000,000, Mr. Ding will pay up in full for any shortfall in the profit on a dollar-for-dollar basis to Qinzhou Hengyuan. The audited annual turnover and the audited annual net profit after tax of Qinzhou Hengyuan Group guaranteed by Mr. Ding were determined by the parties to the Capital Injection Agreement, taking into account (i) the existing operations and improved operational capacity of Qinzhou Hengyuan Group resulted from the enhancement of the operation scale of the wholesale and retail of refined oil upon completion of the Capital Injection and the completion of construction of the refined oil transportation vessel and self-owned oil depot in October 2013 and early 2014 respectively; and (ii) the substantial increment in profit margin of Qinzhou Hengyuan Group for the six months ended 30 June 2013.

Conditions precedent

Completion of the Capital Injection is conditional upon, inter alia:

- (a) the Shareholders, other than those required to abstain from voting under the Listing Rules, at the SGM having approved the Capital Injection Agreement and transactions contemplated thereunder;
- (b) the shareholder(s) of Guangxi Hoifu Energy having approved the transactions contemplated under the Capital Injection Agreement;
- (c) Guangxi Hoifu Energy having been satisfied with the result of the valuation on Qinzhou Hengyuan Group to be made by an independent valuer appointed by Guangxi Hoifu Energy and the net asset value of Qinzhou Hengyuan Group being not less than RMB180,000,000; and
- (d) Guangxi Hoifu Energy being satisfied with the results of the financial and legal due diligence on Qinzhou Hengyuan Group to be carried out by independent auditors and lawyer appointed by Guangxi Hoifu Energy.

Completion of the Capital Injection shall take place on the date on which all the conditions precedent of the Capital Injection having been satisfied. If the conditions shall not have been fulfilled by 30 October 2013 or such later date as the parties to the Capital Injection Agreement may agree in writing, the Capital Injection Agreement shall terminate and of no effect.

The Capital Injection Agreement has not set out the valuation method to be adopted for the valuation of Qinzhou Hengyuan Group. The Company intends to conduct an asset valuation on Qinzhou Hengyuan Group based on market approach. However, the basis of the valuation has not been fixed at the moment as Guangxi Hoifu Energy has not appointed a valuer yet. An appropriate valuation approach will be selected after taking advice from the valuer.

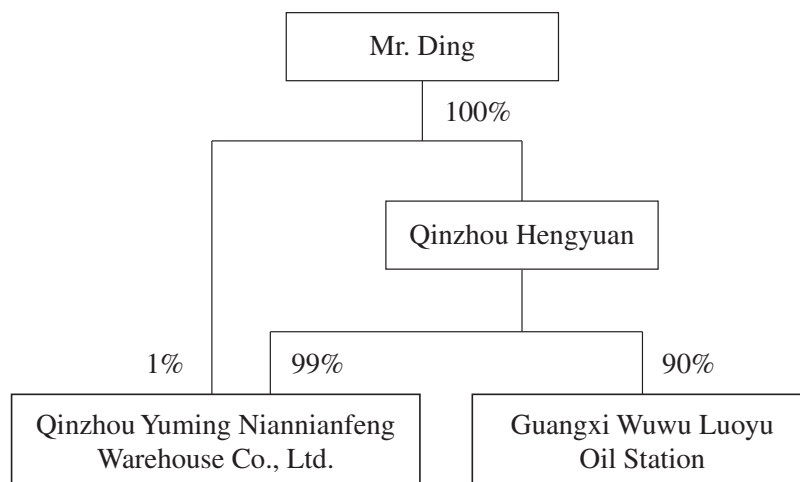
Board composition of Qinzhou Hengyuan

Upon completion of the Capital Injection, the board of directors of Qinzhou Hengyuan will have five members, three of which will be nominated by Guangxi Hoifu Energy while the remaining two members will be nominated by Mr. Ding.

INFORMATION ON QINZHOU HENGYUAN GROUP

Qinzhou Hengyuan was established under the laws of the PRC as a limited liability company in 1995 and commenced its business in the same year. Its principal activities are 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.

Qinzhou Hengyuan has two subsidiaries, namely Qinzhou Yuming Niannianfeng Warehouse Co., Ltd.* (欽州市玉明年年豐倉儲有限公司) and Guangxi Wuwu Luoyu Oil Station* (廣西武鳴縣鑼圩加油站), which were owned as to 99% and 90% by Qinzhou Hengyuan respectively as at the date of the Capital Injection Agreement. The remaining 1% shareholding in Qinzhou Yuming Niannianfeng Warehouse Co., Ltd. was held by Mr. Ding while the remaining 10% shareholding in Guangxi Wuwu Luoyu Oil Station was held by an independent third party. The existing group structure of Qinzhou Hengyuan Group is set out as follows:



Qinzhou Yuming Niannianfeng Warehouse Co., Ltd., a limited liability company, was established under the laws of the PRC in 2007 with principal activities of provision of warehousing, logistics and distribution services. It was acquired by Qinzhou Hengyuan in October 2011 and has been inactive since then. It is expected that Qinzhou Yuming Niannianfeng Warehouse Co., Ltd. will commence its business in March 2014 upon completion of the construction work of the first oil depot. Guangxi Wuwu Luoyu Oil Station was established under the laws of the PRC as a partnership in October 2012 with principal activities of retail sales of lubricants, automotive parts, construction materials, household appliances, electrical equipments and general merchandise. Guangxi Wuwu Luoyu Oil Station is inactive as at the date hereof and is expected to commence business in June 2014. The existing operations of Qinzhou Hengyuan Group were mainly carried out by Qinzhou Hengyuan. Qinzhou Hengyuan Group has obtained the necessary licences for carrying out its operation of refined oil and petrochemical products business, including “Refined Oil Wholesale Business Approval Certificate” (成品油批發經營批准證書), “Refined Oil Retail Business Approval Certificate” (成品油零售經營批准證書), “Hazardous Chemicals Business Licence” (危險化學品經營許可證), “Dangerous Goods Railway Shipper Certificate” (鐵路危險貨物托運人資質證書), “Import and Export Goods Customs Registration Certificate” (進出口貨物收發貨人報關註冊登記證書), “Aquatic Station Refined Oil Retail Business Certificate” (水上加油站成品油零售經營批准證書) and “Port Operation Licence” (港口經營許可證).

Operations

(i) Sale of refined oil and hazardous chemical products

Qinzhou Hengyuan Group purchases refined oil and hazardous chemical products such as kerosene, diesel fuel, fuel oil, gasoline, compressed gas, liquefied gas, flammable gas and goods from petrochemical companies in Guangxi and sells to customers like private oil stations in Guangxi, Guizhou, Yunnan and Sichuan. According to the information available to the Company, Qinzhou Hengyuan Group’s existing annual wholesale volume of refined oil and hazardous chemical products is approximately 100,000 tons. It is expected that Qinzhou Hengyuan Group’s operation scale of the wholesale of refined oil will be further enhanced with the newly injected capital from the Capital Injection.

(ii) Storage of refined oil and petroleum products

Qinzhou Hengyuan Group owns a land with total area of 163 mu in Guangxi Qinzhou Port Yingling Operation Area. The construction work of the first oil depot with storage capacity of 24,000 cubic meters has commenced and is expected to be completed by March 2014. Qinzhou Hengyuan has also completed the feasibility study and preliminary design for the second oil depot, which has a storage capacity of 160,000 cubic meters. It is expected that the construction of the second oil depot will be completed by June 2015. In addition, Qinzhou Hengyuan Group has leased from certain companies four oil depots with total storage capacity of 27,500 cubic meters for its own storage, the lease term of which will expire during the period between September 2013 and June 2014. Qinzhou Hengyuan Group intends to renew the leases after expiration of the current terms, except one of the leases which shall originally expire by end of December 2013 but early terminated by Qinzhou Hengyuan by end of September 2013

in view of the relatively small storage volume of the depot and high rental rate. Since most of the lessors of the oil depots are oil suppliers of Qinzhou Hengyuan and have good business relationship with Qinzhou Hengyuan Group, the management of Qinzhou Hengyuan does not foresee any difficulty in renewing other leases upon expiration. The major target customers of the storage business are manufacturers of petrochemical products, private oil stations and petrochemical trading companies located in Qinzhou, Guangxi. It is expected that turnover will be derived from this segment upon completion of the construction of the first self-owned oil depot of Qinzhou Hengyuan Group in 2014.

(iii) Provision of railway transportation services

Qinzhou Hengyuan Group has obtained the exclusive usage rights of the Qinzhou Port Railway Line, which is a dedicated railway line connecting the Qinzhou Port terminal operating area with the national railway network, from its owner for 30 years. Qinzhou Hengyuan Group arranges railway transportation services for its customers by charging service fees. Major customers of Qinzhou Hengyuan are petrochemical trading companies located at Qinzhou and Fangchenggang in Guangxi and Zhanjiang in Guangdong. The annual shipping volume of Qinzhou Hengyuan Group for the year ended 31 December 2012 is about 48,000 tons. Since Qinzhou Hengyuan Group started its railway transportation services in the last quarter of 2012 and revenue from such segment was insignificant, the revenue from railway transportation services was recorded as other income in 2012.

(iv) Aquatic oil stations and transportation

Qinzhou Hengyuan Group owns two aquatic refueling vessels with total capacity of 450 tons. Its existing annual sale volume of refined oil is approximately 12,000 tons and the major customers are the fishing vessels, engineering vessels and sand mining vessels in Qinzhou Port. Currently, Qinzhou Hengyuan Group is one of the only three enterprises that have the authority to operate aquatic oil stations in Qinzhou Port. Qinzhou Hengyuan Group also owns two refined oil transportation vessels with capacity of 1,000 tons. Another refined oil transportation vessel with capacity of 3,000 tons is under construction and is expected to commence operation in October 2013, which will further enhance the operation capacity and thus turnover of Qinzhou Hengyuan Group. The key customers of Qinzhou Hengyuan Group's aquatic refined oil transportation services are petrochemical manufacturers, trading companies of refined oil and petrochemical products and purchasers of refined oil located in the coastal area of Beibuwan, Guangdong and Hainan.

Management team and employees

Qinzhou Hengyuan Group currently has 85 employees, 6 of which are members of the management team. It is expected that the existing management team will continue to participate in the business operation of Qinzhou Hengyuan Group after completion of the Capital Injection.

Financial information

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

	For the year ended	
	31 December	
	2012	2011
	RMB'000	RMB'000
Turnover	811,242	625,262
— sale of refined oil and hazardous chemical products	766,992	599,012
— aquatic oil stations and transportation	44,250	26,250
Net profit before taxation	9,102	2,626
Net profit after taxation	6,905	2,626
		As at
		31 December
		2012
		RMB'000
Total assets		517,381
Total liabilities		<u>(434,664)</u>
Net assets		<u><u>82,717</u></u>

As at 31 December 2012, Qinzhou Hengyuan Group had total assets of approximately RMB517.4 million, of which approximately RMB181.9 million were prepaid land lease, approximately RMB8.9 million were construction in progress of oil depot and vessel, approximately RMB3.1 million were fixed assets which mainly included two vessels, approximately RMB122.0 million were inventories and approximately RMB154.5 million were trade and other receivables, prepayments and deposits. Total liabilities of Qinzhou Hengyuan Group were approximately RMB434.7 million as at 31 December 2012, which included trade and other payables and accruals of approximately RMB299.7 million, bills payable of approximately RMB56.8 million and bank borrowings of approximately RMB78.2 million.

LISTING RULES IMPLICATIONS

The Capital Injection constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Capital Injection which is different from other Shareholders and none of Mr. Ding, Qinzhou Hengyuan and their respective associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Capital Injection Agreement and the transactions contemplated thereunder.

THE ACQUISITION

The Board is also pleased to announce that Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with, among others, the Vendor, an independent third party, on 3 September 2013 to acquire 51% equity interest in both Guangxi Chenxi and Beihai Tianxiang. Details of the Acquisition are set out as follows:

THE ACQUISITION AGREEMENT

Date

3 September 2013

Parties to the Acquisition Agreement

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

Vendor: Shenzhen Chenxi, a company established under the laws of the PRC. It is principally engaged in the business of sale of lubricating oil and fuel oil, investment holding and domestic trading and was interested in 66.67% and 75% of the equity interest of Guangxi Chenxi and Beihai Tianxiang respectively as at the date of the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Target: Guangxi Chenxi and Beihai Tianxiang, limited liability joint-stock companies established under the laws of the PRC.

Issuer: the Company.

Assets to be acquired

The asset to be acquired under the Acquisition Agreement is 51% equity interest in each of Guangxi Chenxi and Beihai Tianxiang.

Consideration

The total consideration for the Acquisition is RMB280,501,103 (equivalent to approximately HK\$356,236,401), which will be satisfied upon completion of the Acquisition as to RMB93,500,368 (equivalent to approximately HK\$118,745,467) by payment of cash and RMB187,000,735 (equivalent to approximately HK\$237,490,934) by issue of the Convertible Notes with an initial conversion price of HK\$1.3 per Conversion Share, subject to adjustment. It is anticipated that a majority portion of the cash consideration will be financed by internal resources of the Group while the remaining will be financed by proceeds from fund raising activities to be carried out by the Company as abovementioned.

The consideration of the Acquisition was determined after arm's length negotiations between Guangxi Hoifu Petroleum and the Vendor with reference to the total fair value of the net assets of Guangxi Chenxi and Beihai Tianxiang Group as at 31 August 2013 of approximately RMB565,000,000 (equivalent to approximately HK\$717,550,000) valued under asset-based approach by an independent valuer in the PRC engaged by Guangxi Chenxi and Beihai Tianxiang.

In the event that the aggregate fair value of the net assets of Guangxi Chenxi and Beihai Tianxiang Group is less than RMB550,000,000, the Vendor will be responsible for paying up in full for any shortfall in the net asset value on a dollar-for-dollar basis to Guangxi Chenxi and/or Beihai Tianxiang in cash.

Principal terms of the Convertible Notes

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

Issuer	: the Company
Principal amount	: HK\$237,490,934 (approximately RMB187,000,735)
Interest	: nil
Maturity date	: the first anniversary of the date of issue of the Convertible Notes
Conversion period	: The period commencing on the date which is 60 days prior to the maturity date of the Convertible Notes up to and including the maturity date of the Convertible Notes.
Conversion price	: The initial conversion price is HK\$1.3 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Notes. Events triggering adjustments on conversion price include share consolidation, share subdivision, share reclassification, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. No adjustment involving an increase in the conversion price will be made, other than in the case of share consolidation or share reclassification.

The initial conversion price of HK\$1.3 per Conversion Share under the Convertible Notes represents (i) a discount of approximately 3.70% to the closing price of HK\$1.35 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 0.31% to the average closing price of HK\$1.304 per Share for the last five trading days immediately prior to and including the Last Trading Day; (iii) a premium of approximately 0.23% over the average closing price of HK\$1.297 per Share for the last ten trading days immediately prior to and including the Last Trading Day; and (iv) a premium of approximately 622.22% over the net asset value of approximately HK\$0.18 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 1,456,843,612 Shares in issue as at the date of this announcement.

The initial conversion price under the Convertible Notes was arrived at after arm's length negotiations between Guangxi Hoifu Petroleum and the Vendor with reference to the prevailing market price of the Shares.

Conversion rights : The Convertible Notes carries the rights to convert the whole or part of the principal amount into Conversion Shares at the initial conversion price of HK\$1.3 per Conversion Share during the conversion period 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 the Listing Rules.

Conversion Shares : The Conversion Shares will rank pari passu in all respects with all other Shares in issue on the relevant conversion date and will entitle the holders to all dividends, and other distributions, rights or entitlements the record date for which falls after the relevant conversion date.

Assuming that the Convertible Notes are fully converted into Conversion Shares at the initial conversion price of HK\$1.3 per Conversion Share, a total of 182,685,334 Conversion Shares will be issued, which represent approximately 12.54% of the existing issued share capital of the Company and approximately 11.14% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares to be issued upon full conversion of the Convertible Notes.

The Conversion Shares will be issued under a specific mandate, approval of 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.

- Redemption and conversion right of the Company : The Company has the right to (i) redeem the Convertible Notes; or (ii) request the holder(s) of the Convertible Notes to convert the Convertible Notes at any time during the term of the Convertible Notes.
- Application of listing : No application will be made by the Company to the Stock Exchange or any other stock exchange for the listing of the Convertible Notes.
- Transferability : The Convertible Notes may be transferred to any person, provided that any assignment or transfer to a connected person of the Company is subject to prior written consent of the Company and approval of the Shareholders (if so required under, and in compliance with, the Listing Rules). Any assignment or transfer of the Convertible Notes is also subject to compliance with the relevant requirements and provisions under the Listing Rules for so long as the Shares are listed on the Stock Exchange (and the rules of any other stock exchange on which the Shares may be listed at the relevant time) and all applicable laws and regulations.
- Voting : The holder(s) of the Convertible Notes will not be entitled to receive notices of, attend or vote at, any meeting of the Company by reason only of it/them being the holder(s) of the Convertible Notes.
- Ranking : The Convertible Notes will rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

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, at the SGM having approved the Acquisition Agreement and transactions contemplated thereunder;
- (b) the shareholder(s) of Guangxi Hoifu Petroleum having approved the transactions contemplated under the Acquisition Agreement;
- (c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares;
- (d) Guangxi Hoifu Petroleum having been satisfied with the result of the valuation on Guangxi Chenxi and Beihai Tianxiang to be made by an independent valuer appointed by Guangxi Hoifu Petroleum and the aggregate net asset value of Guangxi Chenxi and Beihai Tianxiang being not less than RMB550,000,000 as at 3 September 2013; and

- (e) Guangxi Hoifu Petroleum being satisfied with the results of the financial and legal due diligence on Guangxi Chenxi and Beihai Tianxiang to be carried out by independent auditors and lawyer appointed by Guangxi Hoifu Petroleum.

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 3 November 2013 or such later date as the parties to the Acquisition Agreement may agree in writing, the Acquisition Agreement shall terminate and of no effect.

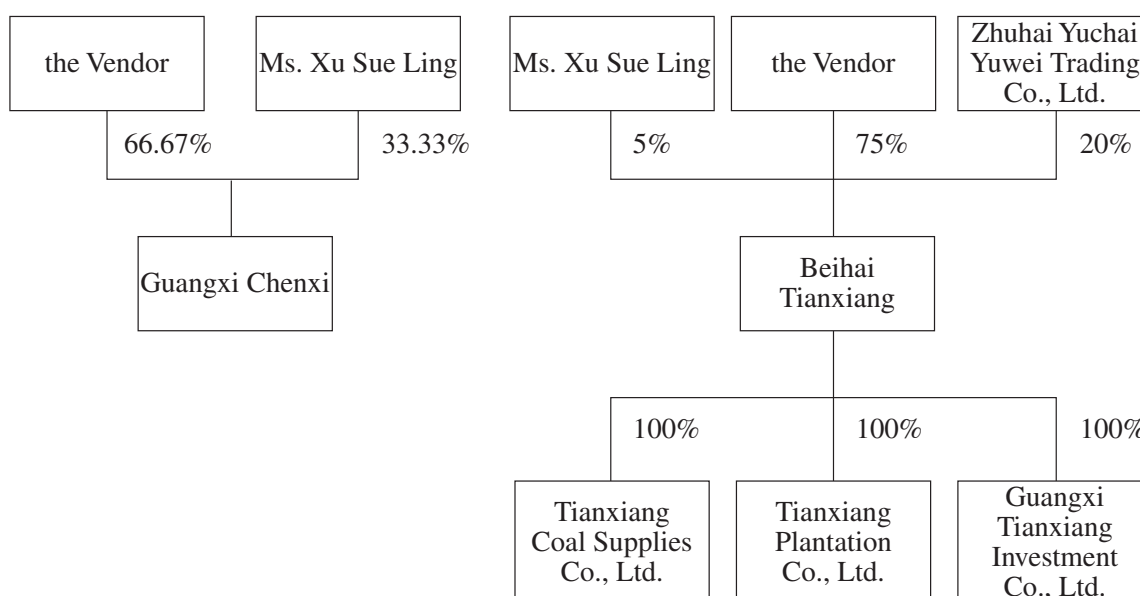
The Acquisition Agreement has not set out the valuation method to be adopted for the valuation of Guangxi Chenxi and Beihai Tianxiang. The Company intends to conduct an asset valuation on Guangxi Chenxi and Beihai Tianxiang based on market approach. However, the basis of the valuation has not been fixed at the moment as Guangxi Hoifu Petroleum has not appointed a valuer yet. An appropriate valuation approach will be selected after taking advice from the valuer.

Board composition of Guangxi Chenxi and Beihai Tianxiang

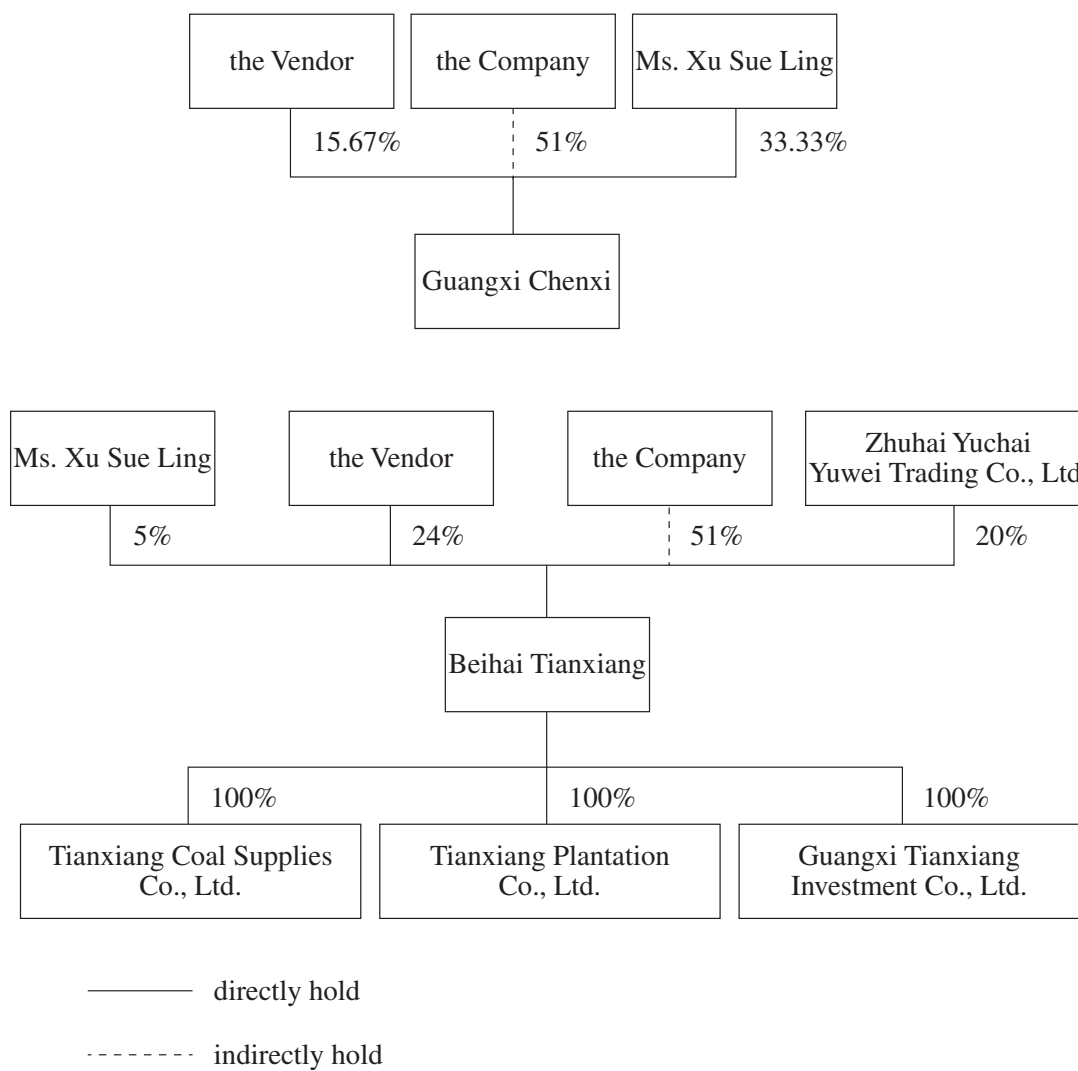
Upon completion of the Acquisition, each of the board of directors of Guangxi Chenxi and Beihai Tianxiang will have five members, three of which will be nominated by Guangxi Hoifu Petroleum while the remaining two members will be nominated by the existing shareholders of Guangxi Chenxi and Beihai Tianxiang (as the case may be).

SHAREHOLDING STRUCTURE OF GUANGXI CHENXI AND BEIHAI TIANXIANG GROUP BEFORE AND AFTER THE ACQUISITION

The shareholding structure of Guangxi Chenxi and Beihai Tianxiang Group before the Acquisition are as follows:



The shareholding structure of Guangxi Chenxi and Beihai Tianxiang Group after completion of the Acquisition are set out below:



INFORMATION ON GUANGXI CHENXI

Guangxi Chenxi is a limited liability joint-stock company established under the laws of the PRC in 1994 and was owned as to 66.67% by the Vendor and 33.33% by Ms. Xu Xue Ling as at the date of the Acquisition Agreement. The principal activities of Guangxi Chenxi include (i) development, construction and operation of liquefied petroleum gas terminals and integrated service facilities, which has not been commenced yet as at the date hereof as the required facilities are under construction; (ii) storage and sale of liquefied petroleum gas; and (iii) sale of fuel oil, lubricating oil, solvent oil and other petrochemical products. Guangxi Chenxi has obtained “Cylinder Bottling Permit” (氣瓶充裝許可證), “Port Operation Licence” (港口經營許可證), “Gas Business Licence” (燃氣經營許可證) and “Mobile Bottling Permit” (移動充裝許可證) to carry out its activities.

Guangxi Chenxi owns a land with total area of 130 mu in Beihai, Guangxi, an office building with total area of approximately 4,000 square meters and an oil and gas dock with capacity of 10,000 tons. Guangxi Chenxi also owns a gas storage station with total capacity

of 5,500 cubic meters, being the largest gas storage station in Beihai, Guangxi, which contains 15 horizontal gas tanks with storage capacity of 100 cubic meters each, 4 spherical gas tanks with storage capacity of 1,000 cubic meters each and facilities for storage and bottling of liquefied petroleum gas and loading and unloading liquefied petroleum gas to and from vessels and tankers. Guangxi Chenxi has obtained the approval from the relevant authority of the PRC Government for establishing a functional facility for storage of petrochemical products with capacity of 80,000 cubic meters and such project is currently in the design stage.

Currently, Guangxi Chenxi has around 29 employees, of which 4 are members of the management team. It is expected that the existing management team will continue to participate in the business operation of Guangxi Chenxi after completion of the Acquisition.

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

	For the year ended	
	31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	13,477	4,906
— sale of liquefied petroleum gas	13,272	4,906
— sale of oil and other petrochemical products	205	—
Net loss before taxation	(2,327)	(8,051)
Net loss after taxation	(2,327)	(8,051)
		As at
		31 December
		2012
		<i>RMB'000</i>
Total assets		55,959
Total liabilities		<u>(82,244)</u>
Net liabilities		<u><u>(26,285)</u></u>

As at 31 December 2012, Guangxi Chenxi had total assets of approximately RMB56.0 million, of which approximately RMB11.4 million were fixed assets which included approximately RMB4.9 million and RMB5.4 million of building and gas storage station respectively, approximately RMB15.5 million were construction in progress of oil and gas dock, and approximately RMB24.0 million were trade and other receivables and prepayments. Total liabilities of Guangxi Chenxi were approximately RMB82.2 million as at 31 December 2012, which mainly comprised other payables and accruals.

INFORMATION ON BEIHAI TIANXIANG GROUP

Beihai Tianxiang is a limited liability joint-stock company established under the laws of the PRC in 1995 and was owned as to 75% by the Vendor, 20% by 珠海玉柴宇威商貿有限公司 (Zhuhai Yuchai Yuwei Trading Co., Ltd.*) and 5% by Ms. Xu Xue Ling as at the date of the Acquisition Agreement. Zhuhai Yuchai Yuwei Trading Co., Ltd. is indirectly owned as to 30% by Yuchai Group (廣西玉柴機器集團), which is a large state-owned enterprise based in Guangxi. The Company considers that the extensive sales network of Yuchai Group in Guangxi can facilitate the operation and future development of Beihai Tianxiang.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Mr. Ding and the minority shareholder of Guangxi Wuwu Luoyu Oil Station; and (ii) Ms. Xu Xue Ling, Zhuhai Yuchai Tuwei Trading Co., Ltd., the Vendor and their respective ultimate beneficial owners are independent to each other.

Beihai Tianxiang has three wholly-owned subsidiaries, namely 天翔煤炭物資有限公司 (Tianxiang Coal Supplies Co., Ltd.*), 天翔種業有限公司 (Tianxiang Plantation Co., Ltd.*) and 廣西天翔投資有限公司 (Guangxi Tianxiang Investment Co., Ltd.*). The principal activities of Beihai Tianxiang Group are wholesale and retail of refined oil and operation of oil stations. Beihai Tianxiang Group has obtained “Refined Oil Wholesale Business Licence” (成品油批發經營許可證), “Hazardous Chemicals Business Licence” (危險化學品經營許可證), “Coastal Oil Transportation Permit” (沿海油品運輸許可證), “Hazardous Chemicals Terminal Operation Permit” (危險化學品碼頭作業證) and “Import and Export Registration Certificate” (進出口備案登記證).

Beihai Tianxiang Group owns three oil depots in Guangxi, namely (i) Degang oil depot, which is located at Shibuling Port District, Beihai with storage capacity of 29,600 cubic meters; (ii) Dijiao oil depot, which is located at Beihai Rescue Base with storage capacity of 6,000 cubic meters; and (iii) Shatian oil depot, which is located at Shatian Town, Hepu with storage capacity of 2,000 cubic meters. Beihai Tianxiang Group has also leased one oil depot with storage capacity of 10,800 cubic meters in Fangcheng Port, Guangxi. All the oil depots are equipped with pier and/or dedicated railway line.

In addition, Beihai Tianxiang Group owns six oil stations in Guangxi, four of which are in operation while the remaining two are under construction and expected to commence business in October 2013. Furthermore, Beihai Tianxiang Group has six refueling vessels with total capacity of 2,520 tons.

Currently, Beihai Tianxiang Group has around 145 employees, of which 9 are members of the management team. It is expected that the existing management team will continue to participate in the business operation of Beihai Tianxiang Group after completion of the Acquisition.

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

	For the year ended	
	31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1,670,965	857,634
— sale of refined oil (including operations of oil stations)	1,611,900	854,904
— storage income	59,065	2,730
Net profit before taxation	65,936	50,420
Net profit after taxation	56,046	40,025
		As at
		31 December
		2012
		<i>RMB'000</i>
Total assets		1,001,650
Total liabilities		<u>(812,491)</u>
Net assets		<u><u>189,159</u></u>

As at 31 December 2012, Beihai Tianxiang Group had total assets of approximately RMB1,001.7 million, of which approximately RMB14.3 million were fixed assets which included oil depots and vessels of approximately RMB13.9 million, approximately RMB1.8 million were construction in progress of oil stations and vessels, approximately RMB4.5 million were land, approximately RMB15.9 million were oil stations, approximately RMB150.4 million were inventories, approximately RMB731.2 million were trade and other receivables, prepayments and deposits and approximately RMB61.8 million were bank balance and cash. Total liabilities of Beihai Tianxiang Group were approximately RMB812.5 million as at 31 December 2012, which consisted of trade and other payables and accruals of approximately RMB464.7 million, bill payables of approximately RMB247.8 million and bank borrowings of approximately RMB100.0 million.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since no Shareholders have any material interest in the Acquisition which is different from other Shareholders and none of the Vendor and its associates holds any Share as at the date of this announcement, no Shareholders are required to abstain from voting at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

REASONS FOR THE CAPITAL INJECTION AND 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 Capital Injection and the Acquisition, each of Qinzhou Hengyuan, Guangxi Chenxi and Beihai Tianxiang will become a subsidiary of the Company and their 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 Capital Injection and the Acquisition are in line with the strategic development of the Group and can bring long-term and strategic benefits to the Company.

China National Petroleum Corporation and China Petrochemical Corporation, the two major petroleum companies in the PRC, have established large-scale refinery facilities in Qinzhou and Beihai of Guangxi respectively, where Qinzhou Hengyuan, Guangxi Chenxi and Beihai Tianxiang are located. The Company considers that the establishment of refinery plants in Qinzhou and Beihai by major players of the industry can further attract small-to-medium sized refineries and/or oil and petrochemical companies, which are potential suppliers or customers of Qinzhou Hengyuan, Guangxi Chenxi and Beihai Tianxiang, to set up their operations in the area. The location advantage together with the extensive sales networks of Qinzhou Hengyuan Group, Guangxi Chengxi and Beihai Tianxiang in Guangxi can facilitate Qinzhou Heungyuan, Guangxi Chenxi and Beihai Tianxiang in securing supply of refined oil and petrochemical products and easy access to potential customers. Furthermore, the establishment of China-ASEAN Free Trade Area in 2010 in Guangxi has further facilitated the growth in trading between the PRC and countries of Association of Southeast Asian Nations ("ASEAN"). Given the proximity of Guangxi to other ASEAN countries, Qinzhou Hengyuan, Guangxi Chenxi and Beihai Tianxiang can benefit from the increasing trading between the PRC and ASEAN countries, in particular in transportation and storage business. Qinzhou Hengyuan, Guangxi Chenxi and Beihai Tianxiang can also enjoy preferential tax policies that are made available to qualified enterprises located in Beibuwan Economic Zone. In view of the profitable track records of Qinzhou Hengyuan Group and Beihai Tianxiang Group, the Directors consider that the Capital Injection and the Acquisition will not only broaden the income source of the Group but will also enhance the turnover and profit of the Group in the future.

The Directors are of the opinion that the terms of the Capital Injection Agreement and the Acquisition Agreement are fair and reasonable and the entering into of the Capital Injection Agreement and the Acquisition Agreement are 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 full conversion of the Convertible Notes, 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 full conversion of the Convertible Notes ^(Note 4)	
	Number of Shares	%	Number of Shares	%
Triumph Energy Group Limited ^(Note 1)	785,139,143	53.89	785,139,143	47.89
Simply Superb Holdings Limited ^(Note 2)	175,000,000	12.01	175,000,000	10.67
J&A Investment Limited ^(Note 3)	128,718,000	8.84	128,718,000	7.85
the Vendor	—	—	182,685,334	11.14
Other public Shareholders	<u>367,986,469</u>	<u>25.26</u>	<u>367,986,469</u>	<u>22.45</u>
	<u>1,456,843,612</u>	<u>100.00</u>	<u>1,639,528,946</u>	<u>100.00</u>

Notes:

1. Triumph Energy Group Limited is owned as to 55% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, and 45% by AMA Energy Group Limited, which is owned as to 91.5% by Mr. Neil Bush, a Director, and 8.5% by Mr. Wang Xinqing as at the date of this announcement.
2. Simply Superb Holdings Limited is wholly-owned by Mr. Zhao Ying as at the date of this announcement.
3. 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.
4. Pursuant to the Acquisition Agreement, the Vendor shall not exercise any right to convert the Convertible Notes into Conversion Shares to the extent that such exercise would cause the Company to be in breach of the minimum public float requirement stipulated under the Listing Rules.

TERMINATION OF GUANGXI QINZHOU TAIXING ACQUISITION

Reference is made to the announcements of the Company dated 19 July 2013 and 30 August 2013 in relation to, among other things, the Guangxi Qinzhou Taixing Acquisition.

Pursuant to the Guangxi Qinzhou Taixing Agreement, completion of the Guangxi Qinzhou Taixing Acquisition shall take place on the first business day after the date on which all the conditions precedent of the Guangxi Qinzhou Taixing Acquisition having been satisfied. If the conditions shall not have been fulfilled by 15 September 2013 or such later date as the parties to the Guangxi Qinzhou Taixing Agreement may agree in writing, the Guangxi Qinzhou Taixing Agreement shall terminate and of no effect.

As the conditions precedent of the Guangxi Qinzhou Taixing Acquisition, among others, the valuation on the net asset value of Guangxi Qinzhou Taixing Petrochemical Co., Ltd. valued by an independent valuer appointed by Guangdong Hoifu Energy Limited being not less than RMB200 million had not been fulfilled by 15 September 2013 and the parties to the Guangxi Qinzhou Taixing Agreement failed to agree on an extension of time to fulfill the conditions precedent to completion of the Guangxi Qinzhou Taixing Acquisition, the parties mutually agreed not to proceed with the Guangxi Qinzhou Taixing Acquisition and the Guangxi Qinzhou Taixing Agreement was terminated with effect from 16 September 2013.

The Directors believe that the termination of the Guangxi Qinzhou Taixing Agreement shall have no material adverse impact on the Company and its Shareholders. The Company will continue to explore other suitable investment opportunities in Guangxi to further enhance the value of the Group.

GENERAL

A circular containing, inter alia, further details of the Capital Injection and the Acquisition, other disclosures required under the Listing Rules and a notice of the SGM is expected to be despatched to the Shareholders on or before 30 October 2013 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 2 September 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 4 October 2013.

DEFINITIONS

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

“Acquisition”	the acquisition of 51% equity interest in each of Guangxi Chenxi and Beihai Tianxiang by Guangxi Hoifu Petroleum in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 3 September 2013 entered into between Guangxi Hoifu Petroleum, the Company, the Vendor, Guangxi Chenxi and Beihai Tianxiang 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

“Beihai Tianxiang Group”	Beihai Tianxiang and its subsidiaries
“Board”	the board of Directors
“Capital Injection”	injection of additional capital of RMB187,300,000 by Guangxi Hoifu Energy, a wholly-owned subsidiary of the Company, into Qinzhou Hengyuan
“Capital Injection Agreement”	the capital injection agreement dated 30 August 2013 entered into between Guangxi Hoifu Energy, Mr. Ding, Qinzhou Hengyuan and the Company in relation to the Capital Injection
“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
“Conversion Share(s)”	new Share(s) to be issued by the Company upon conversion of the Convertible Notes
“Convertible Notes”	the convertible notes in an aggregate principal amount of HK\$237,490,934 with an initial conversion price of HK\$1.3 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 Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangxi Chenxi”	廣西晨曦燃氣有限公司 (Guangxi Chenxi Gas Co., Ltd.*), a limited liability company established under the laws of the PRC
“Guangxi Hoifu Energy”	廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a company established under the laws of the PRC and is wholly-owned by the Company
“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

“Guangxi Qinzhou Taixing Acquisition”	the acquisition of 51% equity interest in 廣西欽州泰興石油化工有限公司 (Guangxi Qinzhou Taixing Petrochemical Co., Ltd.*) by Guangdong Hoifu Energy Limited, a wholly-owned subsidiary of the Company, in accordance with the terms and conditions of the Guangxi Qinzhou Taixing Agreement as disclosed in the announcements of the Company dated 19 July 2013 and 30 August 2013
“Guangxi Qinzhou Taixing Agreement”	the sale and purchase agreement dated 3 July 2013 entered into between Guangdong Hoifu Energy Limited, a wholly-owned subsidiary of the Company, Nanning Duanfeng Trading Co., Ltd., Guangxi Qinzhou Taixing Petrochemical Co., Ltd. and the Company in relation to the Guangxi Qinzhou Taixing Acquisition
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	30 August 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
“Mr. Ding”	Mr. Ding Wei Er, the sole shareholder of Qinzhou Hengyuan as at the date of the Capital Injection Agreement
“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
“Qinzhou Hengyuan Group”	Qinzhou Hengyuan and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the Capital Injection Agreement, the Acquisition Agreement and the transactions contemplated thereunder
“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
“Vendor”	深圳市晨曦實業有限公司 (Shenzhen Chenxi Industrial 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, 3 October 2013

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1 to HK\$1.27. 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*