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MAJOR AND CONNECTED TRANSACTION

THE ACQUISITION

On 28 July 2017, after the trading hours of the Stock Exchange, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Company entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire equity interest of the Target, and the Sale Loan for a total consideration of RMB1,100,000,000 (equivalent to approximately HK\$1,272,040,000), which will be satisfied as to (i) RMB100,000,000 (equivalent to approximately HK\$115,640,000) in cash as a refundable deposit; and (ii) RMB1,000,000,000 (equivalent to approximately HK\$1,156,400,000) by issue of the Convertible Note.

The major assets of the Target Group are the land use rights in 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 and total planned gross floor area of 244,829 sq. m. and 896,900 sq. m. respectively.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction 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 Chapter 14 of the Listing Rules.

As at the date of the Agreement, the Vendor is beneficially wholly-owned by Dr. Hui, an executive Director and controlling Shareholder. As such, the Vendor is 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.

GENERAL

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve, by way of poll, the Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Vendor and its associates are interested in 1,881,401,427 Shares, representing approximately 74.62% of the total issued share capital of the Company. In view of their interest in the Acquisition, the Vendor and its associates will abstain from voting for the approval of the Agreement and the transactions contemplated thereunder at the SGM.

An Independent Board Committee will be established to advise the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition and other disclosures required pursuant to the Listing Rules, the advices from the Independent Board Committee and the independent financial adviser together with a notice of the SGM will be dispatched to the Shareholders on or before 30 September 2017 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

THE ACQUISITION

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, the Vendor on 28 July 2017 (after the trading hours of the Stock Exchange) to acquire the Sale Shares and the Sale Loan. Details of the Acquisition are set out as follows:

THE AGREEMENT

Date

28 July 2017

Parties to the Agreement

Purchaser : Hoifu Energy Holdings Limited, a company incorporated in BVI with limited liability and wholly-owned by the Company indirectly as at the date of this announcement

Vendor : Hoifu Group Investment Holdings Limited, an investment holding company incorporated in BVI with limited liability. The Vendor is wholly-owned by Dr. Hui, an executive Director and controlling Shareholder, as at the date of this announcement 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 asset to be acquired under the Agreement is Sale Shares, representing the entire equity interest of the Target, and the Sale Loan.

Consideration

The total consideration for the Acquisition is RMB1,100,000,000 (equivalent to approximately HK\$1,272,040,000), which will be satisfied as to (i) RMB100,000,000 (equivalent to approximately HK\$115,640,000) in cash as a refundable deposit to be paid within 10 days from the effective date of the Agreement; and (ii) RMB1,000,000,000 (equivalent to approximately HK\$1,156,400,000) by issue of the Convertible Note. The Company intends to finance the cash consideration 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 exercise, 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 the Purchaser and the Vendor with reference to the valuation of the net asset value of the Target Group and the Sale Loan as at 28 July 2017 of approximately RMB1,100,000,000 (equivalent to approximately HK\$1,272,040,000) valued by comparison approach by Malcolm & Associates Appraisal Limited, an independent valuer engaged by the Purchaser and the Company.

The original investment cost of the Vendor for its investment in the Target amounted to approximately RMB168,405,800 (equivalent to approximately HK\$194,744,467).

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	:	RMB1,000,000,000 (equivalent to approximately HK\$1,156,400,000)
Issue price	:	100% of 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\$0.7, 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 initial conversion price of HK\$0.7 represents:

- (i) 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;
- (ii) 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; and

(iii) 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.

The initial 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 current market conditions.

- 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\$0.7 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 holders 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\$0.7, a total of 1,652,000,000 Conversion Shares will be issued, which represent approximately 65.5% of the existing share capital of the Company and approximately 39.6% 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 any outstanding Convertible Note at any time before the maturity date at 100% 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/them being the holder(s) of the Convertible Note.

Conditions precedent

Completion of the Acquisition 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 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 October 2017 or such later date as the parties to the Agreement may agree in writing, the Agreement shall terminate and of no effect.

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 right 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 and total planned gross floor area of 244,829 sq. m. and 896,900 sq. m. respectively. Save for holding the aforementioned land use rights, the Target Group does not have any material asset or liability (except the Sale Loan) and has not carried out any business since incorporation of the member companies.

Details of the land use right held by the Target Group are shown as follows:

	Land 1	Land 2	Land 3	Land 4
Number of title deed	44710041987	44710041984	44710041986	44710041985
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.
Planned gross floor area	458,500 sq.m.	26,500 sq.m.	26,500 sq.m.	114,600 sq.m. for commercial and financial as well as accommodation & catering use, and 270,900 sq.m. for residential use
Usage	residential	wholesale and retail	wholesale and retail	mixed (residential, commercial and financial, accommodation & catering)
Expiry date of the land use right	9 April 2087	9 April 2057	9 April 2057	Residential use: 9 April 2087; commercial and financial, accommodation & catering: 9 April 2057

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

	For the period from 7 August 2015 (date of incorporation) to 31 December 2015	For the year ended 31 December 2016	For the period from 1 January 2017 to 30 June 2017
Turnover	–	–	–
Net loss before taxation	22,020	65,259	3,736,053
Net loss after taxation	<u>22,020</u>	<u>65,259</u>	<u>3,736,053</u>
			As at 30 June 2017
Total assets			206,986,439
Total liabilities			<u>210,721,713</u> ^{Note}
Net liabilities			<u>3,735,273</u>

Note: This figure including shareholder's loan of HK\$210,683,508.

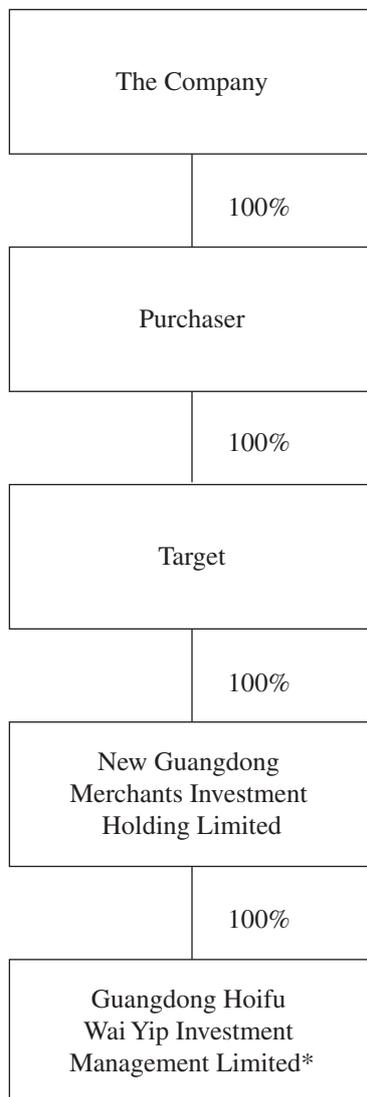
Shareholding Structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the date of this announcement



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. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and its results will be consolidated into the Group's accounts.

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, the continued increase in people's financial capability and the implementation of the new two-child policy. Accordingly, the Group intends to expand its business into property investment and development alongside its existing business. 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 enable 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 (excluding the independent non-executive Directors who will opine on the Acquisition after taking into account the advices to be received from the independent financial adviser) 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 its 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, (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 date of this announcement other than as stated in each scenario.

	As at the date of this announcement		Upon full conversion of the Convertible Note ^{Note 2}		Upon conversion of the Convertible Note, subject to the conversion restriction ^{Note 3}	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Dr. Hui and his associates ^{Note 1}	1,881,401,427	74.62	1,881,401,427	45.08	1,881,401,427	73.51
The Vendor	–	–	1,652,000,000	39.59	38,236,947	1.49
Sub-total	1,881,401,427	74.62	3,533,401,427	84.67	1,919,638,374	75.00
Other public Shareholders	639,879,458	25.38	639,879,458	15.33	639,879,458	25.00
Total	<u>2,521,280,885</u>	<u>100.00</u>	<u>4,173,280,885</u>	<u>100.00</u>	<u>2,559,517,832</u>	<u>100.00</u>

Notes:

- (1) These Shares included 897,431,143 Shares held by Triumph Energy Group Limited (“Triumph”), 38,846,000 Shares held by Wisdom On Holdings Limited (“Wisdom On”), 4,018,000 Shares held by Taiming Petroleum Group Limited (“Taiming”) and 941,106,284 Shares held by Golden Nova Holdings Limited (“Golden Nova”). The issued share capital of Triumph is beneficially and indirectly owned as to 92.67% by Dr. Hui through Golden Nova and Simply Superb Holdings Limited. Wisdom On, Taiming and Golden Nova are directly or indirectly wholly-owned by Dr. Hui.

- (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 any 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.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction 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 Chapter 14 of the Listing Rules.

As at the date of the Agreement, the Vendor is beneficially wholly-owned by Dr. Hui, an executive Director and controlling Shareholder. As such, the Vendor is 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.

GENERAL

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve, by way of poll, the Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Vendor and its associates are interested in 1,881,401,427 Shares, representing approximately 74.62% of the total issued share capital of the Company. In view of their interest in the Acquisition, the Vendor and its associates will abstain from voting for the approval of the Agreement and the transactions contemplated thereunder at the SGM.

An Independent Board Committee will be established to advise the Independent Shareholders regarding the Agreement and transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Acquisition and other disclosures required pursuant to the Listing Rules, the advices from the Independent Board Committee and the independent financial adviser together with a notice of the SGM will be dispatched to the Shareholders on or before 30 September 2017 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

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

“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 entered into among the Purchaser, the Company and the Vendor 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\$1,156,400,000 with an initial conversion price of HK\$0.7 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”	Dr. Hui Chi Ming, <i>G.B.S., J.P.</i> , an executive Director and the controlling Shareholder
“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 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 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
“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

“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 the transactions contemplated thereunder
“sq. m.”	square metres
“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”	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*)
“Vendor”	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

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

Hong Kong, 28 July 2017

For the purposes of this announcement, 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.

As at the date of this announcement, the honorary chairman and senior consultant of the Company is Dr. Yukio Hatoyama; the Board 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 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.

** for identification purpose only*