THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any share of Hoifu Energy Group Limited.

Hoifu

Hoifu Energy Group Limited

凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF 65% EQUITY INTEREST IN BEIBUWAN YUCHAI ENERGY CHEMICAL CO., LTD.

Financial Adviser to the Company

Hercules

Hercules Capital Limited

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

AKRON
Corporate Finance Limited
亞貝隆資本有限公司

A letter from the board of directors of Hoifu Energy Group Limited is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on page 19 of this circular. A letter from the Independent Financial Adviser (as defined herein), containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 43 of this circular.

28 February 2014

CONTENTS

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

"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 (as supplemented and amended by the supplemental agreements dated 27 January 2014 and 30 January 2014) entered into among Guangxi Hoifu Petroleum, the Company, the Vendors and Yuchai Machinery in relation to the Acquisition
"Announcement"	the announcement relating to the Acquisition issued by the Company on 19 December 2013
"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)"	19,426,624 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
"Elite"	Elite Partners CPA Limited, Certified Public Accountants
"Enlarged Group"	the Group and the Target
"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
"Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David, formed to advise the Independent Shareholders as to the Acquisition and the transaction contemplated thereunder
"Independent Financial Adviser" or "Akron"	Akron Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the transaction contemplated thereunder
"Independent Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Last Trading Day"	13 December 2013, being the last trading day of the Shares on the Stock Exchange before the publication of the Announcement
"Latest Practicable Date"	26 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, and for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shaanxi Coal"	陝西煤業化工集團(上海)勝幫化工技術有限公司 (Shaanxi 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$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	北部灣玉柴能源化工有限公司 (Beibuwan Yuchai Energy Chemical Co., Ltd.*), a limited liability company established under the laws of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"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
"Yuchai Machinery Group"	Yuchai Machinery and its subsidiaries
"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

For the purposes of this circular, 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.

* *For identification purpose only*

Hoifu Energy Group Limited
凱富能源集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 7)

Honorary Chairman and Senior Consultant:
Dr. Hatoyama Yukio

Executive Directors:
Dr. Hui Chi Ming *G.B.S., J.P.*
Mr. Neil Bush
Dr. Chui Say Hoe
Mr. Lam Kwok Hing
Mr. Nam Kwok Lun

Independent Non-executive Directors:
Mr. Chen Weiming, Eric
Mr. Kwan Wang Wai, Alan
Mr. Ng Chi Kin, David

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Units 1910–12, 19th Floor
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Sheung Wan, Hong Kong

28 February 2014

To the Shareholders,

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

The Company, Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, the Vendors and Yuchai Machinery entered into a sale and purchase agreement on 15 December 2013, pursuant to which, Guangxi Hoifu Petroleum agreed to acquire, and the Vendors agreed to sell, 65% equity interest in the Target for a total consideration of RMB135,455,900 (equivalent to approximately HK$172,555,287). On 27 January 2014 and 30 January 2014, the parties to the Agreement entered into supplemental agreements to amend the consideration and the long stop date of the Acquisition respectively. The total consideration of the Acquisition is reduced to RMB128,172,000 (equivalent to approximately HK$163,276,433), which will be satisfied upon completion of the Acquisition as to (i) RMB42,105,100 (equivalent to approximately HK$53,637,070) by payment of cash to Zhuhai Shengzhou; (ii) RMB30,499,800 (equivalent to approximately HK$38,853,248) by the issue of the Consideration Shares to Beihai Tianxiang; and (iii) RMB55,567,100 (equivalent to approximately HK$70,786,115) 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 Latest Practicable Date. 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 Latest Practicable Date. Therefore, no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As such, the Acquisition may be approved by written independent shareholder's approval in accordance with Rule 14.44 and Rule 14A.43 of the Listing Rules. On 2 January 2014, Triumph Energy Group Limited, which is interested in 924,139,143 Shares, representing approximately 60.87% of the issued share capital of the Company, as at the Latest Practicable Date, has granted its written approval to the Company for the Acquisition. The written independent shareholder's approval of Triumph Energy Group Limited is accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 and Rule 14A.43 of the Listing Rules.

The purpose of this circular is to provide you with, inter alia, (i) further details of the Acquisition; (ii) the financial information relating to the Group, the Target and the Enlarged Group; (iii) the letter from the Independent Board Committee to the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder; and (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder.

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 (the "Beihai Tianxiang Acquisition"). Upon completion of the Beihai Tianxiang 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 Beihai Tianxiang Acquisition are set out in the Company's announcement dated 3 October 2013. As at the Latest Practicable Date, the Beihai Tianxiang 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 Shaanxi 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. The acquisition of 25% equity interest of the Target by Qinzhou Hengyuan from Shaanxi Coal has been completed and Qinzhou Hengyuan held 30% equity interest in the Target as at the Latest Practicable Date.

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 Latest Practicable Date, 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 was interested in 49% equity interest of a non wholly-owned subsidiary of the Company as at the Latest Practicable Date 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 RMB128,172,000 (equivalent to approximately HK$163,276,433), which will be satisfied upon completion of the Acquisition as to (i) RMB42,105,100 (equivalent to approximately HK$53,637,070) by payment of cash to Zhuhai Shengzhou; (ii) RMB30,499,800 (equivalent to approximately HK$38,853,248) by the issue of the Consideration Shares to Beihai Tianxiang; and (iii) RMB55,567,100 (equivalent to approximately HK$70,786,115) 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 including, but not limited to issue of debt and equity securities, to be carried out by the Company. The Company intends to raise approximately RMB300.0 million to finance the Acquisition and other announced acquisitions. The Directors are confident that the Company can complete the proposed fund raising activities and obtain the necessary funding before completion of the Acquisition. However, as at the Latest Practicable Date, 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.

Having considered the recent development of the Group to expand its business scope in the area of natural resources and petrochemicals and its commitment in certain business acquisitions and formation of joint ventures and the cash position of the Group, the Directors are of the view that settling part of the acquisition consideration by issuing Consideration Shares, instead of payment in cash, is in the interests of the Company and the Shareholders as a whole since such settlement method can minimize the immediate cash outflow of the Group and enable the Group to retain more cash for general working capital and/or fulfilment of the committed investments. The Directors also noted that upon completion of the Beihai Tianxiang Acquisition and the Acquisition, a cross-holding shareholding structure might exist as Beihai Tianxiang would become a subsidiary of the Company while holding approximately 1.26% of the Company's equity interest. However, to the best knowledge and information of the Directors, both the existing shareholders of Beihai Tianxiang and the Company have no present intentions to maintain the proposed cross-holding shareholding structure for long term. Instead, Beihai Tianxiang will seek for opportunities to realize the equity interest in the Company by disposing the Consideration Shares in the stock market after completion of the Beihai Tianxiang Acquisition and the Acquisition. Given that (i) the equity interest to be held by Beihai Tianxiang in the Company accounts for only 1.26% of the enlarged issued share capital of the Company, and such shareholding is immaterial and shall not have material dilution effect on the existing Shareholders; (ii) the settlement of the consideration by issuing Consideration Shares can minimize the immediate cash outflow of the Group; (iii) the completion of the Acquisition may be dragged out if the Company has to raise additional funding for paying cash consideration to Beihai Tianxiang; (iv) the cross-holding shareholding structure is temporary and for short term only and Beihai Tianxiang can dispose of the Consideration Shares in the open market easily given the small size of the shareholding; and (v) the transaction costs of the Company to raise fund for settlement of cash consideration to Beihai Tianxiang will be higher than the costs of Beihai Tianxiang for realizing its interests in the Consideration Shares in the stock market, the Directors consider that it is in the interests of the Company to settle the acquisition consideration by issuing the Consideration Shares although it will give rise to a cross-holding shareholding structure.

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 audited net asset value of the Target as at 31 October 2013 of approximately RMB171.9 million and the cost of capital of the Vendors for their investments in the Target. Up to 31 December 2013, the cost of capital of the Vendors amounted to approximately RMB17.6 million, calculated based on the prevailing bank interest rates at the relevant time. The original investment cost of the Vendors for their investments in 65% equity interest in the Target amounted to RMB117.0 million, being 65% of the registered capital of the Target.

The Directors consider that it would be beneficial to, and more efficient for, the Group to participate in the manufacturing and sale of olefins and aromatics in Guangxi by acquiring an equity interest in the Target, which has already completed the preliminary works of the manufacturing plant such as feasibility assessment, land pre-approval, planning and preliminary design, safety assessment, energy saving assessment and environmental assessment, details of which are set out in the section headed "INFORMATION ON THE TARGET", instead of establishing a new company and manufacturing plant by itself in view of the required time and manpower consumed. The Directors are of the opinion that a consideration premium, relative to the net asset value of the Target, is justifiable given the time, effort and financial resources put in the Target by the Vendors in the past few years. As time and effort could not be quantified, the Vendors and the Directors agreed that the compensation to be calculated based on cost of capital for the Vendors' investments in the Target.

Consideration Shares

The Consideration Shares comprise 19,426,624 new Shares and represent approximately 1.28% of the existing issued share capital of the Company and approximately 1.26% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Accordingly, the issue of the Consideration Shares will not result in a change of control of the Company.

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 Latest Practicable Date, the Company has allotted and issued in aggregate 62,000,000 Shares under the aforesaid general mandate as a result of the exercise of an option which entitled the holder(s) of the option to subscribe up to 30,000,000 Shares and the subscription of 32,000,000 Shares 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 discount of approximately 1.96% to the closing price of HK$2.04 per Share as at the Latest Practicable Date; (ii) 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; (iii) 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 (iv) 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 1,518,103,612 Shares in issue as at the Latest Practicable Date.

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 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 the 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 relating to the change of shareholding of the Target, 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 28 February 2014 or such later date as the parties to the Agreement may agree in writing, the Agreement shall terminate and of no effect.

As at the Latest Practicable Date, conditions (a), (b), (d) and (e) have been fulfilled. No irregularities were noted by the Company in relation to the financial and legal due diligence on the Target as at the Latest Practicable Date. Having considered that the Target has not commenced its operation yet and it has only monetary assets and liabilities, such as deposit for acquisition of land use rights, loan and other receivables, prepayments, other payables and accrued expenses, whose fair values are substantially equal to their respective carrying amounts presented in the financial statements, the Directors consider that the Target is an asset-based company and its fair value should be fairly reflected by the net asset value of the Target as set out in the accountants' report of the Target. Accordingly, the Directors consider that the value of the Target and equity interest in the Target held by the Vendors can be assessed by referencing to the accountants' report of the Target and it is not necessary to conduct an independent valuation on the Target for the purposes of the abovementioned condition (d). Based on the net asset value of the Target of approximately RMB171.9 million as at 31 October 2013 as set out in the accountants' report of the Target in Appendix II of this circular, the Directors consider that condition (d) has been satisfied.

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

Background

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 Shaanxi 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.

Business

The Target has planned to construct an olefins and aromatics manufacturing plant with an 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 equipment for residue hydro-treating, heavy oil catalytic and gas fractionation, etc. and 7 chemical processing equipment for production of styrene, polypropylene, methyl methacrylate, poly(methyl methacrylate), isopropanol, k-resin, etc. 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 petrochemical products.

Project development

The feasibility assessment of the project and the land pre-approval application have been approved by the relevant government authorities of Qinzhou in 2011. Due to the large scale of the proposed operation, the project is subject to approval by the Development and Reform Commission of Guangxi Zhuang Autonomous Region. In March 2012, the Target formally obtained the approval from the Development and Reform Commission of Guangxi Zhuang Autonomous Region for the application of the project. Meanwhile, the safety assessment and the energy saving assessment have also been completed and approved by the relevant government authorities in Qinzhou in 2012. The planning and preliminary design of the manufacturing plant commenced in the last quarter of 2011 and completed at the end of 2012. With the continuous effort of the management of the Target, the project was shortlisted by the Development and Reform Commission of Guangxi Zhuang Autonomous Region as one of the major new construction projects to be facilitated in the autonomous level in 2013. Being shortlisted as a major project of the autonomous region, the Target is entitled to enjoy a higher priority on approval procedures for the project as well as land and other incentives. During the year of 2013, the Target appointed a design company for the detailed design of the manufacturing plant. In December 2013, the Target obtained the approval on the environmental assessment from the relevant authority of the Guangxi Zhuang Autonomous Region.

Land requisition

Currently, the Target is applying for approval of the Department of Land and Resources of Guangxi Zhuang Autonomous Region in respect of the size and usage of the land for the project. After obtaining such approval, the Department of Land and Resources of Qinzhou will expropriate the land based on the approval conditions set by the Department of Land and Resources of Guangxi Zhuang Autonomous Region. Upon completion of the land expropriation and obtaining the approval of the municipal government of Qinzhou for the public tender, the relevant government authority of Qinzhou will issue a tender notice for the land which will provide details of the land and other major terms of the tender such as the size and usage of the land and the initial asking price for the bid. To the best knowledge and information of the management of the Target, a public tender is usually open for around one month for submission of bids. With reference to the information published in the tender notices currently issued by the Department of Land and Resources of Qinzhou, bidders are generally required to meet certain pre-requisites, such as the provision of fund proof or the obtaining of an approval of environmental assessment for the proposed project to be carried out on the subject land, and such pre-requisites vary case by case. Having considered the current development progress, the management of the Target expected that the public tender would be carried out in around August/September 2014 or before. Therefore, the details of, and the procedures that will be involved in, the public tender were unknown to the management of the Target as at the Latest Practicable as the tender notice has not been issued yet. Notwithstanding the absence of the details of the public tender at the moment, the management of the Target strongly believed that the Target would be able to meet all the pre-requisites for the relevant public tender at the time when the tender is open for bidding. Given the short tender period and the limitations on the size and usage of the land under the public tender, the management of the Target considered that the demand of others for acquisition of the same piece of land would not be great and the Target was not aware of any other competitor applying for the requisition of the same piece of land as at the Latest Practicable Date. The Target is confident that it can acquire the land successfully although no exclusive right was given to the Target. If the Target won the bid of the public tender, it would be obliged to acquire the land under the terms set out in the tender notice. It would be impracticable for the Company to seek shareholders' approval, if necessary, for the acquisition after the bid was accepted because the government authority would not accept a bid conditional on shareholders' approval. Therefore, in the event that the land acquisition is carried out after completion of the Acquisition and is subject to the Shareholders' approval requirement under the Listing Rules, the Company will seek a prior mandate from the Shareholders, in lieu of the Shareholders' approval, for the land acquisition before submitting a bid for the land. Having considered (i) that a written approval for the Acquisition has been obtained from Triumph Energy Group Limited, a controlling Shareholder holding approximately 60.87% equity interest of the Company as at the Latest Practicable Date, and the prior mandate is associated with the Acquisition; and (ii) the reasons for, and benefits of, the Acquisition, the Company considers that in the absence of any unforeseeable factors, it does not foresee any difficulty in obtaining approval from Triumph Energy Group Limited in connection with the prior mandate and the possibility of being unable to obtain the prior mandate is remote.

As at the Latest Practicable Date, demolition work on area of approximately 1,000 mu for the establishment of the manufacturing plant has been completed by the Management Committee of Qinzhou Port Economic Development Zone. It is expected that the demolition work on the remaining area of approximately 773 mu will be completed by May 2014. Based on the past experiences of the management of the Target, the land use right certificate in connection with the land of the project can be obtained within one year from the completion of demolition work and thus it is expected to be obtained by May 2015. With reference to the existing listing price of industrial lands located in Qinzhou, the management of the Target anticipated that the premium for the whole lot of the land with an area of approximately 2,100 mu would be approximately RMB273.0 million. However, up to the Latest Practicable Date, the actual amount of land premium and the payment schedule have not been finalized with the Management Committee of Qinzhou Port Economic Development Zone, the government authority responsible for land requisition and demolition in Qinzhou Port Economic Development Zone, yet as the actual amount of land premium will be determined upon public tender with reference to the then market price of industrial lands located in Qinzhou. The Directors would assess the fairness of the land premium by comparing the then market price of the industrial lands in the area before submitting the tender. The management of the Target considered that, in the absence of any unforeseeable factors that may have a material impact on the economy of Qinzhou, there would be no substantial fluctuations in the price of industrial lands in Qinzhou in the foreseeable future. The Target intends to finance the land premium by internal resources of the Target and bank borrowings, if necessary. Up to the Latest Practicable Date, a prepayment of approximately RMB110.0 million, which is refundable in the event that the land is acquired by other parties through the public tender or deductable from the total land premium payable in the event that the Target succeeds in bidding the land, has been paid to the Management Committee of Qinzhou Port Economic Development Zone for the land requisition. The aforesaid prepayment may not be refundable if the Target determines, at its own discretion for whatever reasons, not to proceed with the public tender or acquisition of the land.

There are no clauses in the Agreement regarding the timeframe for obtaining the land use right. Given that the land application has been pre-approved by the Department of Land and Resources of Qinzhou, the management of the Target considered, and the Directors concurred with its view, that the land use right would be obtained by the Target within a reasonable timeframe. The Directors believed that the failure in obtaining the land use right of the selected land would not have any significant impact on the Target's business as the manufacturing plant could be established in another location in the area although the development plan might be delayed as additional time and cost would be incurred by the Target.

Development plan

Based on the preliminary project development plan, the project will be divided into two development phases. The first phase of development will focus on the establishment of the manufacturing plant. Having considered the quotations of the contractors and petrochemical plant and equipment suppliers and the currently available resources of the Target, the capital expenditure for the construction of the first phase of the manufacturing plant was estimated to be approximately RMB70 million, of which approximately RMB20.0 million would be used for the basic construction of the manufacturing base and the remaining balance of approximately RMB50.0 million would be used for the acquisition of petrochemical plants and equipments. The capital expenditure would be financed by internal resources of the Target as well as bank borrowings, if necessary. The management of the Target expected that the construction of the manufacturing plant would be commenced in 2014 and completed in 2016, having considered the design of the manufacturing plant and the past experiences of the design company and the management of the Target. The second development phase of the project will focus on establishing the storage facilities and other auxiliary facilities. Subject to the availability of resources of the Target and the progress of the project development in the first phase, the second phase of the project is planned to be commenced in 2017 and completed by 2020. According to the preliminary budget of the Target, the capital expenditure for the construction of the second development phase would be approximately RMB80 million, which would be financed by internal resources of the Target and/or bank borrowings. The management of the Target, based on their extensive experiences and knowledge in the industry, anticipated that the operations of the Target could be commenced in 2017 after obtaining the following approvals/ licences:

Expected time	**Approvals/licences required**	**Approving authorities**
August 2014	Approval on the scale and usage of the land for the project	Department of Land and Resources of Guangxi Zhuang Autonomous Region
August 2014	Land Planning Permit (土地規劃許可證)	Housing and Urban Rural Development Commission (住房城鄉建設委員會)
August 2014	Construction Permit (項目開工建設許可證)	Housing and Urban Rural Development Commission (住房城鄉建設委員會)
May 2015	Land Use Right Certificate (土地使用證)	Department of Land and Resources
Completion of the construction of the manufacturing plant	Trial Production Licence (試生產許可證)	Administration of Work Safety and Department of Quality Inspection (安全生產監督管理局和質檢部門)
3 to 6 months after the trial production	Safety Production Licence (安全生產許可證)	Administration of Work Safety and Department of Quality Inspection
6 months after the production	Hazardous Chemicals Production Licence (危險化學品生產許可證)	Administration of Work Safety (安全生產監督管理局)

In view of the industrial experiences and past effort of the management of the Target and the networks and presence of Yuchai Machinery in Guangxi, the Directors considered that the Acquisition is in the interests of the Company although the approval for land requisition and the amount of land premium have not been finalized yet and there might be a chance that the Target would be unable to get the refund of the prepayment for requisition of land if the Target determined not to proceed with the acquisition of the land as it might be even more time consuming for the Company to establish a new company and manufacturing plant by itself and the possibility of terminating the land acquisition process by the Target was remote.

Financial information

The financial information of the Target is set out in Appendix II to this circular and summarized as follows:

	For the ten months ended 31 October		For the year ended 31 December		Period from 28 September 2010 (date of incorporation) to 31 December
	2013	**2012**	**2012**	**2011**	**2010**
	(audited)	(unaudited)	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	—	—	—	—	—
Other income	2,392	3,356	3,951	5,597	859
(Loss)/Profit before taxation	(5,009)	(1,588)	(3,342)	2,245	(1,882)
(Loss)/Profit after taxation	(5,009)	(1,588)	(3,342)	2,154	(1,882)

	As at 31 October 2013
	(audited)
	RMB'000
Total assets	172,845
Total liabilities	(924)
Net assets	171,921

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.

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 to expand its business into the petrochemical industry and can bring long-term and strategic benefits to the Company after commencement of the operation of the Target. The Directors expect that the Acquisition shall have synergy effect with the Group's proposed investments in other petrochemical projects in Guangxi by sharing the procurement, logistics and sales channels and establishing the presence and brand name of the Group as one of the petrochemical manufacturers and traders of high quality petrochemical products in Guangxi and 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. Yuchai Machinery Group has strong financial strength. According to the information provided by Yuchai Machinery Group, it is the largest independent diesel engine manufacturer in the PRC which generates an 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 service 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.

Upon completion of the capital injection in Qinzhou Hengyuan, the Beihai Tianxiang Acquisition and the Acquisition, the Company will hold direct interests in the Target instead of indirect interests in the Target through Beihai Tianxiang and Qinzhou Hengyuan. Having considered that a direct holding of the equity interest in the Target by the Group can (i) enhance the effectiveness and efficiency on management of the Target; (ii) enable faster decision making process; and (iii) avoid sharing the profit in the Target, if any, with the non-controlling interest of Beihai Tianxiang and Qinzhou Hengyuan, the Directors are of the view that it is beneficial to hold direct interest in the Target and the terms of the Agreement are fair and reasonable and the Acquisition 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 Latest Practicable Date of 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 Latest Practicable Date:

	As at the Latest Practicable Date		Upon completion of the Acquisition	
	Number of Shares	*%*	*Number of Shares*	*%*
Triumph Energy Group Limited *(Note 1)*	924,139,143	60.87	924,139,143	60.11
J&A Investment Limited *(Note 2)*	127,718,000	8.41	127,718,000	8.31
Beihai Tianxiang	—	—	19,426,624	1.26
Other public Shareholders	466,246,469	30.72	466,246,469	30.32
	1,518,103,612	100.00	1,537,530,236	100.00

Notes:

1. Triumph Energy Group Limited was owned as to 45.84% by Taiming Petroleum Group Limited, which was wholly-owned by Dr. Hui Chi Ming, a Director, 37.5% by AMA Energy Group Limited, which was 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 was 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 Latest Practicable Date.

2. J&A Investment Limited was owned as to 80% by Mr. Lam Kwok Hing, a Director, and 20% by Mr. Nam Kwok Lun, a Director, as at the Latest Practicable Date.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Group will hold 65% equity interest in the Target. The Target will become a subsidiary of the Company and its results will be consolidated into the Group's accounts.

Had the Acquisition been completed on 1 January 2012, the consolidated net loss for the year ended 31 December 2012 attributable to the owners of the Company would have increased from approximately HK$21.3 million to approximately HK$25.4 million. Had the Acquisition been completed on 31 December 2012, the consolidated total assets of the Group would have increased by approximately HK$116.1 million to approximately HK$514.3 million while the consolidated total liabilities of the Group would have increased by approximately HK$1.2 million to approximately HK$180.3 million.

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, was 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 Latest Practicable Date. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules although Yuchai Machinery is not one of the Vendors and does not have any material interest in the Acquisition. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. None of the Directors have any material interest in the Acquisition.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition which is different from other Shareholders and none of the Vendors and their respective associates held any Share as at the Latest Practicable Date. 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 has obtained a written approval for the Acquisition from Triumph Energy Group Limited, which held 924,139,143 Shares, representing approximately 60.87% of the total issued share capital of the Company as at the Latest Practicable Date. The Company has also applied to the Stock Exchange for acceptance of, and the Stock Exchange has accepted, the written approval by Triumph Energy Group Limited approving the Acquisition in lieu of holding a general meeting pursuant to Rules 14.44 and 14A.43 of the Listing Rules. The Shareholders' approval requirement under Rules 14.40 and 14A.18 of the Listing Rules has therefore been satisfied by means of written Shareholders' approval pursuant to Rules 14.44 and 14A.43 of the Listing Rules and no general meeting will be convened for the purpose of approving the Acquisition.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 20 to 43 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders, in relation to the Agreement and the transactions contemplated thereunder.

The Directors and the Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the resolution for approving the Agreement and the transactions contemplated thereunder if a general meeting were convened for approving the Acquisition.

ADDITIONAL INFORMATION

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

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

Hoifu Energy Group Limited

凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 7)

28 February 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 28 February 2014 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders on whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Akron Corporate Finance Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. The letter of advice from the Independent Financial Adviser is set out on pages 20 to 43 of the Circular.

We are of the view that the terms of the Agreement and the transactions contemplated thereunder, after taking into account the advice of the Independent Financial Adviser, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder if a general meeting were convened for approving the Acquisition.

Yours faithfully,
Independent Board Committee
of
Hoifu Energy Group Limited

Mr. Chen Weiming, Eric **Mr. Kwan Wang Wai, Alan** **Mr. Ng Chi Kin, David**
Independent non-executive Directors

The following is the text of a letter received from Akron Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition for the purpose of inclusion in this circular.

AKRON
Corporate Finance Limited
亞貝隆資本有限公司
3808 China Resources Building
26 Harbour Road
Wanchai, Hong Kong

28 February 2014

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are contained in the letter from the board (the "Letter from the Board") contained in the circular (the "Circular") of the Company to the Shareholders dated 28 February 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the content otherwise requires.

The Company, Guangxi Hoifu Petroleum, a wholly-owned subsidiary of the Company, entered into the Agreement (as supplemented and amended by the supplemental agreements dated 27 January 2014 and 30 January 2014 to amend the consideration and the long stop date of the Acquisition respectively) with, among others, the Vendors in respect of the purchase of 65% equity interest in the Target for a total consideration of RMB128,172,000. The Acquisition constitutes a major transaction for the Company under 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 Latest Practicable Date. 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.

The Company has obtained a written approval for the Acquisition from Triumph Energy Group Limited, which held 924,139,143 Shares, representing approximately 60.87% of the total issued share capital of the Company as at the Latest Practicable Date. The Company has also applied to the Stock Exchange for acceptance of, and the Stock Exchange has accepted, the written approval by Triumph Energy Group Limited approving the Acquisition in lieu of holding a general meeting pursuant to Rules 14.44 and 14A.43 of the Listing Rules. The Shareholders' approval requirement under Rules 14.40 and 14A.18 of the Listing Rules has therefore been satisfied by means of written Shareholders' approval pursuant to Rules 14.44 and 14A.43 of the Listing Rules and no general meeting will be convened for the purpose of approving the Acquisition.

The Independent Board Committee comprising Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on whether (i) the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interest of the Company and the Shareholders as a whole. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules. The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions herein.

In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have considered the following principal factors and reasons:

I. Background of and reasons for the Acquisition

(a) Information of the Group

The Company is an investment holding company and the Group is principally engaged in (i) 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) (collectively, the "Financial Business"); (ii) oil and gas exploration and production (the "Oil & Gas Business"); and trading of natural resources and petrochemicals (the "Trading Business").

Set out below is the key financial results of the Group as extracted from the annual report of the Company for the year ended 31 December 2012 (the "2012 Annual Report") and the interim report of the Company for the six months ended 30 June 2013 (the "2013 Interim Report") for the respective period:

	Year ended 31 December		**Six months ended 30 June**	
	2011	**2012**	**2012**	**2013**
	(audited)	(audited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue:				
Financial Business	30,869	18,912	9,775	11,911
Oil & Gas Business	—	—	—	—
Trading Business	—	—	—	347,537
Others	80	62	25	21
Total Revenue	*30,949*	*18,974*	*9,800*	*359,469*
Segment profit/(loss):				
Financial Business	(3,155)	(6,255)	(480)	6,609
Oil & Gas Business	(345,723)	(1,342)	349	(1,561)
Trading Business	—	—	—	2,058
Others	(228)	(134)	13	(12)
Total segment profit/(loss)	*(349,106)*	*(7,731)*	*(118)*	*7,094*
(Loss) before tax	(371,024)	(21,777)	(16,198)	(6,925)

The Financial Business has been the major revenue source of the Group. As stated in the 2012 Annual Report, along with the Group's development of its existing business in both the Financial Business and the Oil & Gas Business, the Group intended to restructure its business mix to increase the portion of the Oil & Gas Business with the view of improving profitability of the Group.

As advised by management of the Company, the Oil & Gas Business principally related to oil and gas exploration and exploitation business. In line with the Group's business strategy to further develop its Oil & Gas Business, in 2013, the Group completed acquisition of two overseas oil and gas projects in Tunisia and Madagascar. The oil and gas projects are in early stage of development and have not commenced production. The Group estimates that further exploration on the projects will be conducted in the first half of 2014.

To further extend the business scope of the Group in natural resources sector, apart from pursuing development in Oil & Gas Business as stated above, in August 2013, the Group also tapped into mineral mining business by acquiring equity interest in a company which owns the rights to prospect and explore for industrial minerals, gold, iron ore and non-precious minerals in two mines in Kenya.

In June 2013, the Group commenced its Trading Business, which principally related to trading of petrochemical products and natural resources. Petrochemical products, petroleum derivatives accounted for around 19% of the revenue from the Trading Business for the six months ended 30 June 2013. The Trading Business provides immediate contribution to the Group's operation which results in segment profit of approximately HK$2.1 million.

(b) Information of the Target

As set out in the Letter from the Board, the Target was established in the PRC in 2010. At present, the Target has not yet commenced its business operation and is preparing for construction of an olefins and aromatics manufacturing plant (the "Manufacturing Plant") with an annual production capacity of 2 million tones which will be located at Qinzhou Petrochemical Industrial Park, Qinzhou Port (the "Industrial Park"). Upon completion of the construction of the Manufacturing Plant, tentatively in 2016, and obtaining necessary licenses for operations by the Target, the Target shall commence its principal activities in manufacturing and sale of olefins and aromatics, tentatively in 2017.

Olefins and aromatics are one of the major building blocks for a wide range of materials and downstream petrochemical products used in daily life, such as solvents, detergents, synthetic fibers, plastics, adhesives, dyes and automobile glass, etc. The target customers of the Target will include trading companies, chemicals plants, downstream petrochemical products manufacturers and electronics factories, etc.

The occupants of the Industrial Park where the Manufacturing Plant is located will include target customers of the Target, such as electronics factories and chemical plants. As such, it is anticipated that there will be prospective demand on the Target Group's products from the potential occupants of the Industrial Park. In addition, given proximity of the Manufacturing Plant to its target customers in the Industrial Park, it will further facilitate its products sales.

As disclosed in the Letter from the Board, the Target has completed certain preliminary works of the Manufacturing Plant, including feasibility assessment, land pre-approval, planning and preliminary design, safety assessment, energy saving assessment and environmental assessment (collectively, the "Preliminary Works"). Details are set out in the Letter from the Board in the section headed "Information on the Target". Currently, the Target is applying for approval for the land requisition for the Manufacturing Plant. Up to the Latest Practicable Date, a prepayment of approximately RMB110.0 million has already been paid to the relevant government authority for the land requisition. As at the Latest Practicable Date, demolition work on area of approximately 1,000 mu for establishment of the Manufacturing Plant has been completed and it is expected that the demolition work on the remaining area of approximately 773 mu will be completed by May 2014. Thereafter, the related land use right certificate is expected to be obtained by May 2015.

Upon completion of construction works of the Manufacturing Plant, tentatively in 2016, and commencement of business operation, tentatively in 2017, the Target will import heavy fuel oil as raw material and apply advanced technology for production of olefins and aromatics. Meanwhile, the Target will also develop downstream operations for production of petrochemical products.

Set out below is a summary of the financial information of the Target as set out in Appendix II to the Circular:

	For the ten months ended 31 October		For the year ended 31 December		Period from 28 September 2010 (date of incorporation) to 31 December
	2013	2012	2012	2011	2010
	(audited)	(unaudited)	(audited)	(audited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	—	—	—	—	—
Other income	2,392	3,356	3,951	5,597	859
(Loss)/Profit before taxation	(5,009)	(1,588)	(3,342)	2,245	(1,882)
(Loss)/Profit for the period/ year	(5,009)	(1,588)	(3,342)	2,154	(1,882)

	As at 31 October 2013 (audited) *RMB'000*
Total assets	172,845
Total liabilities	(924)
Net assets	171,921

According to the accountants' report of the Target as set out in Appendix II to the Circular, as at 31 October 2013, audited total assets of the Target was approximately RMB172.8 million, which comprised of (i) deposits paid by the Target of approximately RMB110.0 million as at 31 October 2013 to relevant government department for acquisition of land located in Qinzhou Port for proposed construction of the Manufacturing Plant (the "Land Deposit"); (ii) interest-bearing loan receivables from related companies of approximately RMB44.0 million as at 31 October 2013 (the "Advances"); (iii) other receivables, prepayments and deposits of approximately RMB13.1 million; (iv) fixed assets of approximately RMB5.3 million; and (v) cash and bank balances of approximately RMB0.4 million. The Land Deposit and the Advances are the principal assets of the Target with aggregate amount of approximately RMB154.0 million, representing approximately 89.1% of the total assets of the Target.

Given that the Target has yet commenced its operations, it is currently an asset-based company with the Land Deposit and the Advances being its major assets.

(c) Petrochemical industry outlook in the PRC

According to the National Bureau of Statistics of the PRC, the gross domestic product ("GDP") of the PRC was approximately RMB51,932.2 billion in 2012. As estimated by the International Monetary Fund (the "IMF"), GDP of the PRC in 2013 will be approximately RMB57,187.9 billion, representing a growth of approximately 10.1% from 2012. According to IMF's forecast, GDP of the PRC will increase to approximately RMB91,630.9 billion in 2018, representing a growth of approximately 60.2% from 2013 and a compound annual growth rate ("CAGR") of approximately 9.9% during 2013 to 2018. The CAGR of the PRC's GDP during 2013 to 2018 shall exceed the CAGR of the world's GDP of approximately 5.7% during the same period. Based on IMF's forecast, the PRC will continue to be one of the fastest growing countries in the world in terms of GDP growth.

In view of the PRC's steady economic growth, urbanization and industrialization, as well as the rapid development of its emerging industries, it is anticipated to drive the development of petrochemical and chemical industry. In addition, according to the Twelfth Five-Year Development Plan for Petrochemical and Chemical Industries (石化和化學工業「十二五」發展規劃) published by Ministry of Industry and Information Technology of the PRC, it has set the target annual growth rate of the total output of petrochemical and chemical industries at approximately 13.0% for the period from 2010 to 2015.

Based on the foregoing, we are of the view that the prospect of the petrochemical industry in the PRC remains positive in the next few years.

(d) Reasons for and benefits of the Acquisition

As stated in the 2012 Annual Report, the Group intended to continue the Financial Business and Oil & Gas Business. Given the aim of increasing overall profitability of the Group, the Group intended to restructure its business mix to increase the portion of Oil & Gas Business. In addition, it was also the Group's business development strategy to pursue business growth and enhance long term potential of the Group by various means, including business rationalization and diversification, merger and acquisition or establishment of business ventures.

In line with the Group's strategic move, in 2013, the Group made a series of acquisitions, business rationalization and diversification which extended its business scope further into natural resources sector and petrochemical sector.

In developing the Oil & Gas Business, in 2013, the project portfolios were expanded to include two newly acquired overseas oil and gas exploration and production projects located in Tunisia and Madagascar. The Group completed acquisition of (i) the Tunisia project which related to exploration and exploration of hydrocarbon deposits in Tunisia in April 2013; and (ii) the Madagascar project which related to exploration, exploitation, operating and profit sharing rights of an oilfield block in Madagascar in July 2013. Subsequent to the acquisition of the Tunisia and Madagascar projects, in August 2013, the Group's participation in the natural resources sector was further diversified into mineral mining business in Kenya which related to rights of prospecting and exploration of industrial minerals, gold, iron ore and non-precious metals for two mines in Kenya.

In 2013, the Group also took active measures in expanding and venturing into petrochemical industry. In May 2013 to June 2013, the Group has established a joint venture company in Guangdong and several subsidiaries in the PRC and Madagascar to carry out the business of trading of petrochemical products and operation of petrol stations in the PRC, the ASEAN region and Madagascar.

Having considered the abovementioned acquisition and business diversification activities taken by the Group in 2013, we consider that the Acquisition which will allow the Group to tap into olefin and aromatic production of the petrochemical industry upon commencement of the Target's business operation, is therefore in line with the Group's business development strategy with the view of expanding the business scope in petrochemical sectors. Furthermore, the Acquisition will also broaden the income source of the Group, thus diversifying business risk of the Group.

It is stated in the Letter from the Board that (i) Preliminary Works regarding construction of the Manufacturing Plant were completed; (ii) the Target is applying for approval for the land requisition for construction of the Manufacturing Plant and with the Land Deposits of approximately RMB110.0 million has already been paid for land requisition; (iii) land use right certificate for the land for construction of the Manufacturing Plant will be obtained tentatively by May 2015; (iv) preliminary two-phases project development plan with completion of first phase construction of the Manufacturing Plant is estimated to take place in 2016 which will involve a capital expenditure of approximately RMB70.0 million for first phase construction with focus on establishment of the manufacturing base and will be financed by internal resources of the Target as well as bank borrowings, if necessary; (v) tentative timing for commencement of business operation of the Target in 2017 upon obtaining necessary licenses; and (vi) subject to availability of resources of the Target and the progress of first phase project development, estimated timing for commencement of second phase of the project with focus on establishing storage facilities and other auxiliary facilities will take place in 2017 and will be completed by 2020. The second phase project development will involve a capital expenditure of approximately RMB80.0 million and will be financed by internal resources of the Target as well as bank borrowings, if necessary. Taking into account the aforesaid current status and tentative timetable regarding the Manufacturing Plant and business operation of the Target, the Acquisition will broaden the asset base and allow the Group to expand into petrochemical business.

As stated in the Letter from the Board, the Target is applying for approval of the Department of Land and Resources of Guangxi Zhuang Autonomous Region for the land requisition for the Manufacturing Plant and such land requisition will be subject to public tender. In the public tender, major terms of the subject land, such as, the size and usage of the subject land and initial asking price, will be fixed and details of which will be set out in the tender notice. In addition, with reference to information published in current tender notices published by the relevant authority, bidders are generally required to meet certain pre-requisites, such as provision of fund proof or obtaining an approval of environmental assessment for the proposed project to be carried out on the subject land. Relevant pre-requisites vary case by case. Although the exact details and procedures of the public tender were unknown to the management of the Target as at the Latest Practicable Date, having considered (i) the land pre-approval has been granted to the Target by the Department of Land and Resources of Qinzhou; and (ii) the Target has obtained the approval on environmental assessment from relevant authority for the project, being one of the historic pre-requisites for bidders, management of the Target strongly believed that the Target would be able to meet all the pre-requisites for relevant public tender when it is open for bidding. Moreover, we have taken note of the following facts of the public tender (i) short duration of the public tender, which will usually only open for around one month for submission of bids; (ii) limitations on the size and usage of the land under the public tender, thus eliminating other usage of the subject land and therefore lowering the flexibility of its alternative usage; and (iii) pre-requisites requirements on the bidders, thus limiting the number of possible bidders. In view of the aforesaid restrictions, it is considered that the demand from others for acquiring the same piece of land under such restrictions would not be great. Moreover, as the Target was not aware of any other competitors applying for the requisition of the same piece of land as at the Latest Practicable Date, the Target is confident that it can acquire the land successfully.

We also notice that if the Target won the bid of the public tender, it would be obliged to acquire the land under the terms set out in the tender notice. It would be impracticable for the Company to seek shareholders' approval, if necessary, for the acquisition after the bid was accepted because the government authority would not accept a bid conditional on shareholders' approval. Therefore, in the event that the land acquisition is carried out after completion of the Acquisition and is subject to the Shareholders' approval requirement under the Listing Rules, the Company will seek a prior mandate from the Shareholders, in lieu of the Shareholders' approval (the "Prior Mandate"), for the land acquisition before submitting a bid for the land. Having considered that (i) a written approval for the Acquisition has been obtained from Triumph Energy Group Limited, a controlling Shareholder, which held approximately 60.87% equity interest of the Company as at the Latest Practicable Date; (ii) the Prior Mandate is associated with the Acquisition; and (iii) the reasons for and benefits of the Acquisition as stated under this section, the Company considers that in the absence of any unforeseeable factors, it does not foresee any difficulties in obtaining approval from Triumph Energy Group Limited in connection with the Prior Mandate. In view of the aforesaid, we consider that there will be no material difficulties for the Company in obtaining approval from Triumph Energy Group Limited in connection with the Prior Mandate. As such, we concur with the view of the Company that the possibility of the Company of being unable to obtain the Prior Mandate to be remote.

We note that the actual amount of land premium will be determined upon public tender with reference to the then market price of industrial lands located in Qinzhou. We consider that as the subject land is for manufacturing operations, determination of land premium with reference to the prevailing market price of types of lands with similar usage as the subject land (i.e. industrial land) located in similar geographical region of the subject land (i.e. Qinzhou) to be a reasonable reference.

As stated in the Letter from the Board, with reference to the existing listing price of industrial lands located in Qinzhou, management of the Target anticipated that the land premium for the whole lot of the land with an area of approximately 2,100 mu would be approximately RMB273.0 million (the "Total Estimated Land Premium"). We note that (i) in the event the Target succeeds in bidding the land, the Land Deposit could be set-off against the land premium payable by the Target. Considering the Land Deposit of approximately RMB110.0 million and the Advances of approximately RMB44.0 million which aggregated to approximately RMB154.0 million, where such amount represents approximately 56.4% of the Total Estimated Land Premium; (ii) prior submitting the tender for the land requisition, the Directors could assess fairness of the land premium by comparing the then market price of the industrial land in the area; (iii) in the absence of any unforeseeable factors that may have a material impact on the economy of Qinzhou, management of the Target considered that there would be no substantial fluctuations in the price of industrial lands in Qinzhou in the foreseeable future; and (iv) the Target intends to finance the additional land premium by internal resources of the Target and bank borrowings, if necessary. In light of the above and based on information currently available, we consider that there are no material uncertainties in connection with the land requisition.

Furthermore, in view of the industrial experiences and past effort of the management of the Target and the networks and presence of Yuchai Machinery in Guangxi, the Directors considered that the Acquisition is in the interests of the Company although the approval for land requisition and the amount of land premium have yet been finalized and there might be a possibility that the Target would be unable to obtain refund of the Land Deposit if the Target determined not to proceed with the public tender or the land acquisition as it might be even more time consuming for the Company to establish a new company and manufacturing plant by itself and the possibility of terminating the land acquisition process by the Target was remote.

Moreover, the Acquisition can lay a foundation for the Group to develop a vertically-integrated business model for its participation in the petrochemical sectors in the PRC in the long run. The Acquisition will result in potential synergistic benefits with the Trading Business in (i) enlarging the product portfolio of the Trading Business with those petrochemical products produced by the Target; (ii) providing a stable and reliable supply of petrochemical products at competitive price for the Trading Business; and (iii) securing a readily available distribution channel of petrochemical products produced by the Target through the sales network and expertise of the Trading Business. In this connection, the Acquisition will strengthen the Group's presence and brand name as one of the traders of high quality petrochemical products in Guangxi.

Moreover, in view of large-scale petrochemical projects established in Guangxi by one of the leading PRC petroleum companies, the Directors consider that it will facilitate the industry development of petrochemical business in Guangxi. Moreover, it will attract small-to-medium sized refineries and/or oil and petrochemical companies which are potential suppliers or customers of the Target to set up their operation in that area. Furthermore, with the establishment of China-ASEAN Free Trade Area in 2010 in Guangxi, it will facilitate trading activities between the PRC and countries of Association of Southeast Asian Nations ("ASEAN"). In view of the aforesaid, the Directors are optimistic about the long term development potential of petrochemical business in Guangxi.

Taking into account that the Manufacturing Plant is situated in Guangxi, leveraging on the establishment of China-ASEAN Free Trade Area in Guangxi, it shall open up opportunities for the Target to supply petrochemical products to ASEAN countries. In view of the foregoing, we consider that the Acquisition shall lay a solid foundation and good operating conditions for the Group's long-term development of petrochemical business in Guangxi. Moreover, the Acquisition is the Group's strategic move in establishing its presence in petrochemical business in Guangxi. As such, the Directors expect that the Acquisition shall have synergy effect with the Group's proposed investments in other petrochemical projects in Guangxi, including the VSA (as defined below) and other future potential petrochemical projects which may be identified by the Group from time to time, by sharing the procurement, logistics and sales channels for strengthening the Group's presence and brand name in petrochemical business in Guangxi as one of the petrochemical manufacturers and resulting cost efficiency given proximity among the projects.

Moreover, in November 2013, the Group entered into a joint venture agreement with Yuchai Machinery Group for establishment of a joint venture company to conduct investment and sale of engines, machinery equipment, special vehicles, parts and energy and petrochemical business. In this regards, with petrochemical business being one of business scope of the aforesaid joint venture company, the Acquisition shall facilitate further cooperation with Yuchai Machinery Group in petrochemical business. In addition, in view of the extensive sales and services network of Yuchai Machinery Group where its products also reach out to Asia, Europe, America, Africa and Oceania and are sold in over 180 countries and regions, the Directors consider that it will be beneficial to the Group to strengthen cooperation with Yuchai Machinery Group.

Apart from potential synergy effects of the Acquisition with the VSA (as defined below), the Trading Business and possible petrochemical business cooperation between the Group and Yuchai Machinery Group as mentioned above, given the Group's strategic business development in expanding into petrochemical industry, synergy effects will also be resulted between the Acquisition and future petrochemical related business and/or investment opportunities which may arise from time to time (the "Future Petrochemical Opportunities"). Future Petrochemical Opportunities which may be considered to be appropriate by the Group may include (i) petrochemical projects in Guangxi and/or other geographical region; and (ii) upstream or downstream petrochemical projects for adopting a vertically integrated business model or other complimentary petrochemical projects.

As disclosed in the announcement of the Company dated 3 October 2013, upon completion of the Group's proposed acquisition of 51% equity interest in Beihai Tianxiang and the Group's proposed capital injection into Qinzhou Hengyuan, the Group will be interested in 51% equity interest in each of Beihai Tianxiang and Qinzhou Hengyuan (the "VSA"). As such, the Group will hold indirect interest in the Target through Beihai Tianxiang and Qinzhou Hengyuan upon completion of the VSA.

We note that with the Group's direct interest in the Target under the Agreement, the Group can exercise dominate influence on the board of directors of the Target by nominating six directors out of nine directors to the board directors of the Target under the Agreement, as such (i) it will enhance the effectiveness and efficiency on management on the Target; and (ii) enable faster decision making process of the Target. In addition, with the Group's direct interest in the Target, it will avoid sharing the profit of the Target, if any, with non-controlling interest of Beihai Tianxiang and Qinzhou Hengyuan. Based on the foregoing, it is beneficial for the Group to hold direct interest in the Target instead of indirect interest in the Target and the Acquisition is in the interest of the Company and Shareholders as a whole.

Based on the foregoing, we are of the view that the Acquisition is not in the ordinary and usual course of business of the Group. Having considered the Acquisition is in line with the strategic development of the Group and the aforementioned benefits which will result from the Acquisition, we concur with the Directors' view that the Acquisition is in the interests of the Company and Shareholders as a whole.

II. Principal terms of the Agreement

Pursuant to the Agreement (as supplemented by the supplemental agreements dated 27 January 2014 and 30 January 2014), the total consideration for the acquisition of 65% equity interest in the Target (the "Acquisition Interest") is RMB128,172,000 (equivalent to approximately HK$163,276,433) (the "Consideration"), which will be satisfied upon completion of the Acquisition (the "Completion") as to (i) RMB97,672,200 (equivalent to approximately HK$124,423,185) by cash payment (the "Cash Consideration"); and (ii) RMB30,499,800 (equivalent to approximately HK$38,853,248) by issue of 19,426,624 Consideration Shares at the issue price of HK$2.00 per Consideration Share (the "Issue Price").

We note that (i) a number of acquisition and business diversification activities were taken by the Group in 2013 as stated in the section headed "Background of and reasons for the Acquisition" for developing its Oil & Gas Business, Trading Business and proposed business expansion in the area of natural resources and petrochemical industry; and (ii) cash and bank of the Group as at 30 June 2013 was approximately HK$90.8 million and the net cash used in operating activities for the six months ended 30 June 2013 was approximately HK$102.5 million as stated in the 2013 Interim Report. In this connection, we consider that settlement of part of the Consideration by issuing the Consideration Shares to Beihai Tianxiang instead of making cash payment will (i) minimize immediate cash outflow of the Group; and (ii) enable the Group to retain more cash for general working capital and/or fulfilment of its committed investments, therefore, it will be in the interests of the Company and the Shareholders as a whole.

We also note that upon completion of the Beihai Tianxiang Acquisition, the Group will have 51% equity interest in Beihai Tianxiang. As such, following issue of the Consideration Shares to Beihai Tianxiang, it will result in Beihai Tianxiang holding approximately 1.26% of the issued share capital of the Company upon Completion. Thus, resulting in cross shareholding between the Company and Beihai Tianxiang. As stated in the Letter from the Board, both the existing shareholders of Beihai Tianxiang and the Company have no present intention to maintain the proposed cross-holding shareholding structure for long term. Beihai Tianxiang will instead seek for opportunities to realize the equity interest in the Company by disposing the Consideration Shares in the stock market after completion of the Beihai Tianxiang Acquisition and the Acquisition. Having considered that (i) the equity interest to be held by Beihai Tianxiang in the Company will only be approximately 1.26% of the enlarged issued share capital of the Company upon Completion. It is consider that such shareholding is immaterial and shall not have material dilution effect to the existing Shareholders; (ii) settlement of the Consideration by issuing Consideration Shares can minimize immediate cash outflow of the Group; (iii) the Completion may be dragged out if the Company has to raise additional funding for paying cash consideration to Beihai Tianxiang; (iv) the cross-holding shareholding structure is only temporary and for short term only and Beihai Tianxiang can easily dispose of the Consideration Shares in the open market given the small size of shareholding; and (v) transaction costs for the Company to raise fund for settlement of cash consideration to Beihai Tianxiang will be higher than the costs for Beihai Tianxiang to realize its interest in the Consideration Shares in the stock market, we consider that it is in the interests of the Company to issue the Consideration Shares for settling part of the Consideration although it will give rise to cross-holding structure.

In assessing whether the Consideration is fair and reasonable, we have considered the factors as set out below:

(a) Basis of the Consideration

As mentioned in the Letter from the Board, the Consideration has been arrived after arm's length negotiation between Guangxi Hoifu Petroleum and each of the Vendors taking into account (i) the audited net asset value of the Target as at 31 October 2013 of approximately RMB171.9 million; and (ii) the cost of capital of the Vendors for their investments in the Target.

As mentioned above in the paragraph headed "Information of the Target", the Target will be participating in petrochemical business upon establishment of the Manufacturing Plant. Having considered (i) the Target does not carry out any current business operation; and (ii) save for the Land Deposit and the Advances, the Target does not have other material assets, we consider that currently, the Target is an asset-based company. In this connection, we consider that the determination of the Consideration with reference to the net asset value of the Target, an asset-based company, to be a reasonable reference in evaluation of the Acquisition Interest.

Having considered (i) the Target has completed Preliminary Works which are essential prior construction of the Manufacturing Plant; (ii) the Vendors have devoted their time, effort and financial resources to the Target in the past few years for the Preliminary Works; (iii) as compare with the establishment of a new company and manufacturing plant by the Group itself to participate in the manufacturing and sale of olefins and aromatics in Guangxi, the Acquisition will be beneficial to the Group which will shorten its investment period by saving the Group's time and manpower from going through the Preliminary Works which are time consuming, we concur with the Directors that it is justifiable to compensate the Vendors for their time, effort and financial resources committed in the past in the Target. Given that time and effort could not be quantified, the Vendors and the Directors agreed the compensation to be calculated based on cost of capital of the Vendors for their investments in the Target.

We have reviewed the calculation schedule and discussed with the management of the Company for the estimation of the cost of capital of the Vendors. We note that the cost of capital is determined after taking into account (i) amount of capital invested; (ii) investment period of capital; and (iii) prevailing bank interest rates during applicable investment period of capital employed. Based on the foregoing, we consider that the basis of estimating the cost of capital of the Vendors to be fair and reasonable.

Having considered (i) audited net asset of the Target of approximately RMB171.9 million, proportional net asset value as at 31 October 2013 attributable to the Acquisition Interest is approximately RMB111.7 million; and (ii) the cost of capital of the Vendors up to 31 December 2013 is approximately RMB17.6 million. The aggregate of nets assets value and costs of capital (the "Implicit Value") of the Target attributable to the Acquisition Interest was approximately RMB129.3 million. The Consideration represents a slight discount of approximately 0.9% to the Implicit Value attributable to the Acquisition Interest.

In view of the abovementioned factors, we consider that the Consideration which represents a slight discount to the Implicit Value attributable to the Acquisition Interest to be fair and reasonable.

(b) Peer group comparison

In order to further assess the fairness and reasonableness of the Consideration, we have attempted to apply two commonly adopted valuation approaches, namely, the price-earnings-ratio (the "PER") and the price-to-book ratio (the "PBR") to analyze the Consideration with other Hong Kong listed companies principally engaged in the same industry as the Target. However, as the Target has not commenced operation and has been loss making, the PER analysis is not applicable in this case. Taking into account that (i) book value of the net assets is the fundamental and most commonly used indicators to determine a company's value; and (ii) the Target is an asset-based company, with the Land Deposit and the Advances being its material assets, which accounted for around 90% of the net asset value of the Target as at 31 October 2013, therefore, we have applied PBR for comparison purpose.

To the best of our knowledge, we have identified an exhaustive list of three comparable companies for our analysis (the "PBR Comparables") based on the following criteria: (i) companies listed on the Stock Exchange (excluding H-shares listed companies as the assets base of those H-shares listed companies are substantially higher than that of the Target whose net assets value are at least 50 times above the net asset value of the Target); (ii) companies whose principal activities are similar to the Target, i.e. manufacturing and sale of petrochemical products; and (iii) companies which have majority of total revenue, being over 50% of the total revenue derived from manufacturing and sale of petrochemical products for their respective latest financial year, i.e. companies principally engage in manufacturing and sale of petrochemical products, whose principal activities are similar to the Target. We consider that with the sizeable assets base of H-shares listed companies, their operation scale differ significantly from the Target and their PBRs are extremely low, which range from approximately 0.12 to 0.38. Since the Target only has monetary assets and liabilities, the fair value of the Target should be fairly reflected by its net asset value. As such, PBR of the Target should be around 1. Therefore, for those companies whose PBRs are substantially below 1, they will not provide a meaningful reference for our analysis. Based on the foregoing, we consider that inclusion of H-shares listed companies will not provide a meaningful reference for comparison purpose as the results will be distorted by them, since their PBRs are considered as outliers. Therefore, we have excluded H-shares listed companies in our analysis. We consider that the Comparables are fair and representative samples for comparison as the principal business of the PBR Comparables are similar to the proposed business operation of the Target. Our relevant findings are summarized in the table below:

Company (Stock code)	**Market capitalization as at the Last Trading Day** *(HK$ million)* *(Note 1)*	**Net asset value** *(HK$ million)* *(Note 2)*	**PBR** *(times)* *(Note 3)*
China Sanjiang Fine Chemicals Company Limited (2198)	4,300.1	2,765.6	1.55
Juda International Holdings Limited (1329)	1,002.0	192.5	5.21
Yip's Chemical Holdings Limited (408)	3,834.8	3,250.1	1.18
Maximum			**5.21**
Minimum			**1.18**
Average			**2.65**
The Acquisition			1.15 *(Note 4)*

Source: Website of the Stock Exchange

Notes:

1. Calculated based on the total number of issued shares of the PBR Comparables multiplied by their respective closing price as at the Last Trading Day.

2. Being the latest published net assets value of the PBR Comparables as shown in their latest interim reports.

3. Calculated based on the respective market capitalization of the PBR Comparables as at the Last Trading Day divided by their respective latest published net assets value.

4. The implied PBR of the Acquisition is calculated based on the Consideration of approximately RMB128.2 million divided by 65% of the net asset value of the Target of approximately RMB171.9 million as at 31 October 3013.

As shown in the above table, the implied PBR ratio as represented by the Consideration of approximately 1.15 time falls out of the range of the PBR of the PBR Comparables which ranged from approximately 1.18 time to approximately 5.21 times and is lower than the minimum of the PBR of the PBR Comparables of approximately 1.18 time. The lower value of the implied PBR ratio in acquisition of equity interest indicates that an acquisition is being acquired at a comparatively lower consideration. Given that the Consideration related to acquisition of the Target by the Company, with the implied PBR of the Acquisition which falls below the minimum PBR of the PBR Comparables, it indicates that the Consideration is at a comparatively lower price than that as represented by the minimum PBR of PBR Comparables. In this connection, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Consideration Shares analysis

As set out in the Letter from the Board, part of the Consideration, in the amount of RMB30,499,800 (equivalent to approximately HK$38,853,248) will be satisfied by issue of 19,426,624 Consideration Shares by the Company to Beihai Tianxiang at the Issue Price of HK$2.00 per Consideration Share.

The Issue Price of HK$2.00 per Consideration Share 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;

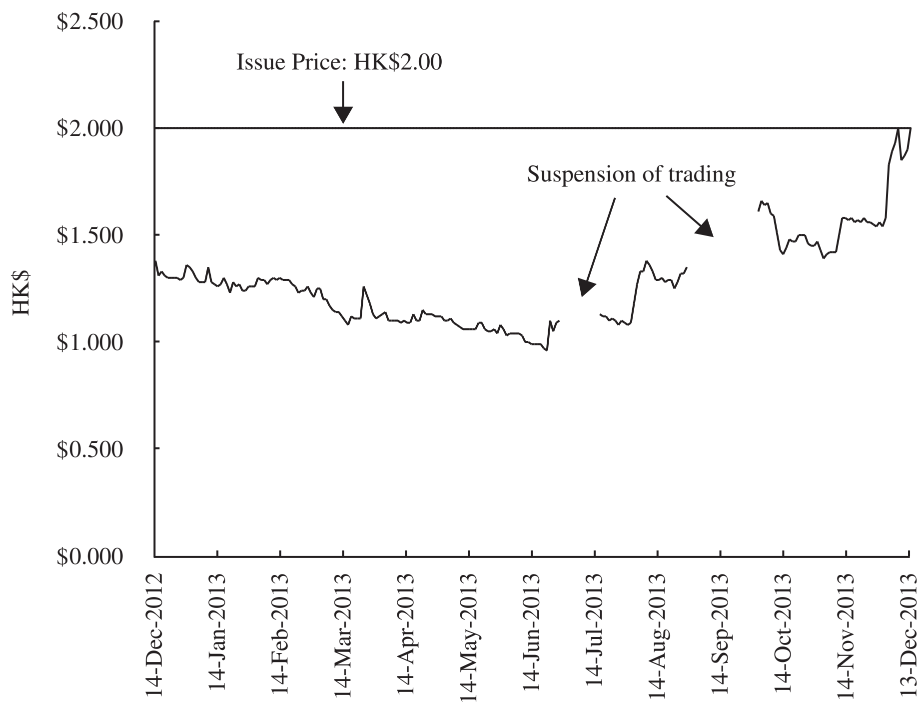
(iii) a discount of approximately 1.96% to the closing price of HK$2.04 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) 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 1,518,103,612 Shares in issue as at the Latest Practicable Date.

To assess the fairness and reasonableness of the Issue Price, we set out below the following analyses for illustrative purposes:

- *Review on Share prices performance*

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the closing price level of the Shares during the period from 14 December 2012 (being the 12 months period prior to the Last Trading Day) to the Last Trading Day (the "Review Period"). We consider that that review of Share price performance for a 12-month period is in line with normal market practice and will be able to reflect the trend of the Share price for recent period, we consider the Review Period to be a reasonable period of time in assessing the Share price performance of the Company. The chart below illustrates the closing price level of the Shares during the Review Period:



Source: The Stock Exchange

Note: Trading of the Shares was suspended from 9:00 a.m. on 4 July 2013 to 19 July 2013 and from 9:00 a.m. on 2 September 2013 to 3 October 2013 during the Review Period.

As shown in the chart above, during the Review Period, the closing price of the Shares ranged from the lowest of HK$0.96 per Share (recorded on 26 June 2013) to the highest of HK$2.00 per Share (recorded on 9 December 2013 and 13 December 2013) (the "Historical Price Range"), with average closing price of HK$1.275 per Share. Except for two days with the highest price attained in December 2013 which is equivalent to the Issue Price, during the

Review Period, the Issue Price is above the Historical Price Range, which represents a premium of approximately 108.3% to the lowest closing price, a premium of approximately 56.7% to the average closing price of the Shares.

- *Market comparables for the Consideration Shares*

As part of our analysis, we have reviewed transactions relating to acquisitions of equity interests (excluding share swap) from connected persons which involved issue of consideration shares (excluding issue of A shares) to satisfy all or part of the consideration for the acquisition as announced by companies listed in Hong Kong in the previous six months prior to the date of the Agreement (from 16 June 2013 to 15 December 2013). To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of 11 transactions (the "Issue Comparables"). Shareholders should note that the business, operations and prospect of the Company are not the same as the Issue Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Issue Comparables. Taking into account that (i) the Issue Comparables were transacted at time close to the signing of the Agreement, therefore, the terms of the Issue Comparables are determined under similar market conditions and sentiments as the Consideration Shares. As such, the Issue Comparables may reflect the recent trend of those equity interests acquisitions which involve issue of consideration shares to connected person in the market; and (ii) there are reasonable number of Issue Comparables for comparison purposes during the period, we consider the selection of six-month period prior to the date of the Agreement is appropriate for our analysis and the Issue Comparables are fair and representative samples.

Set out below is the information of the Issue Comparables.

Date of announcement	Company name (stock code)	Premium/(Discount) of the issue price over/(to) closing price per share on the last full trading day prior to the release of relevant announcement %	Premium/(Discount) of the issue price over/(to) average closing price per share for the last five trading days including and up to the last full trading day prior to the release of relevant announcement %
20 Jun 2013	China Digital Licensing (Group) Limited (8175)	(12.1)	(16.3)
29 Jul 2013	Beijing Enterprises Holdings Limited (392) *(Note)*	(20.5)	(21.8)
18 Aug 2013	Gemdale Properties and Investment Corporation Limited (535)	(9.4)	(6.6)
27 Aug 2013	Jinchuan Group International Resources Co., Ltd. (2362)	(29.1)	(29.8)
24 Sep 2013	The Hong Kong Parkview Group Limited (207)	(42.9)	(39.2)
2 Oct 2013	New Times Energy Corporation Limited (166)	1.7	0.0
18 Oct 2013	Beijing Properties (Holdings) Limited (925)	(4.0)	(1.0)
28 Oct 2013	Dore Holdings Limited (628)	(8.5)	(8.5)
28 Oct 2013	Ngai Lik Industrial Holdings Limited (332)	(46.2)	(42.3)
1 Nov 2013	China Bio-Med Regeneration Technology Limited (8158)	(38.3)	(37.9)
12 Dec 2013	China Yunnan Tin Minerals Group Company Limited (263)	(35.5)	(34.2)
Minimum		**(46.2)**	**(42.3)**
Maximum		**1.7**	**0.0**
Average		**(22.3)**	**(21.6)**
19 Dec 2013	The Company	0.0	4.0

Source: Website of the Stock Exchange

Note: Announcements were published subsequently to amend the terms of the transactions.

As shown in the table above, the issue price of the Issue Comparables ranged from (i) a discount of approximately 46.2% to a premium of approximately 1.7% to the closing price on the last trading day prior to the release of the relevant announcement (the "LTD Market Range") with an average discount of approximately 22.3%; and (ii) a discount of approximately 42.3% to nil discount or premium to the average closing price for the last five trading days including and up to the last full trading day prior to the release of the relevant announcement (the "5-Day Market Range") with an average discount of approximately 21.6%. The Issue Price (i) is equivalent to the closing price on the Last Trading Day which is within the LTD Market Range and above the discount of the Issue Comparables; and (ii) represents a premium of approximately 4.0% over the average share price in the last five consecutive trading days, which is above the 5-Day Market Range.

On the above basis, we consider that the Issue Price is fair and reasonable as far as Independent Shareholders are concerned.

III. Financial effects of the Acquisition

Upon Completion, the Target will become a subsidiary of the Company. Therefore, the results of the Target will be consolidated into the financial statements of the Group.

(a) Earnings

The Target has yet completed the construction of the Manufacturing Plant and it has yet commenced its petrochemical production business. According to the accountants report of the Target as set out in Appendix II to the Circular, the Target recorded a loss of approximately RMB3.3 million for the year ended 31 December 2012 which was mainly attributable to administrative expenses of the Target.

Upon Completion but prior to commencement of business operation of the Target, earnings of the Group will be decreased if the Target is making loss.

As stated in the Letter from the Board, total capital requirement (the ''Future Capital Requirement'') in relation to (i) estimated land premium for acquisition of the whole lot of land for the Manufacturing Plant will be approximately RMB273 million; and (ii) estimated total capital expenditure required for the two-phases project development will be approximately RMB150 million. We note that the Future Capital Requirement will be financed by internal resources of the Target and/or bank borrowings. If no bank borrowings are incurred, there will be no material impact on earnings. In the event that the bank borrowings are incurred by the Target, it will result in interest expenses and thus reduce the earnings of the Enlarged Group by such amount. However, after commencement of business operation of the Target, in view of the optimistic prospect of petrochemical industry as discussed earlier, the Directors expect that the Acquisition could enhance the future earnings potential of the Group.

(b) Net asset value

As disclosed in the accountants' report as set out in Appendix II to the Circular, the Target recorded audited net assets value of approximately RMB171.9 million as at 31 October 2013. Upon completion, financial results of the Target will be consolidated into the Group's financial statements. In addition, with the issue of the Consideration Shares, total equity of the Company will also be increased. As such, the Acquisition will improve the net asset value of the Group.

As the Future Capital Requirement is not intended to be financed by equity financing, it will have no material impact to the net asset value of the Group.

(c) Working capital

Cash and bank balance of the Group as at 31 December 2012 was approximately HK$215.9 million. Taking into account (i) cash payment of approximately HK$124.4 million for settling part of the Consideration; and (ii) as a condition precedent for Completion, the Advances which amounted to approximately

RMB44.0 million (equivalent to approximately HK$55.6 million) as at 31 October 2013 shall have been settled and deposited to the bank account of the Target. Therefore, the Advances should be considered as additional cash resources for the Enlarged Group. In view of the combined effect of the foregoing, cash and bank balance of the Group will decrease upon Completion.

We note that the Future Capital Requirement will be principally related to construction works and acquisition of equipment and facilities for the Manufacturing Plant, to the extent that it will be financed by internal resources of the Target, cash will decrease accordingly. However, such decrease is essentially an exchange for assets. To the extent of the Future Capital Requirement which will be financed by bank borrowings, working capital of the Target will decrease by the interest payment associated with such bank borrowings.

We note that the Acquisition will have negative impact to the Group's cash position. However, having considered (i) decrease in cash is an exchange for the assets of the Target for bringing in future income stream; (ii) decrease in cash resulting from interest payment associated with bank borrowings principally related to financing the Future Capital Requirement with the view of bringing in future income stream; (iii) the Acquisition represents an opportunity for the Group to diversify into petrochemical industry with optimistic prospect; and (iv) the potential synergy effects of the Acquisition with the Group's Trading Business and proposed investments in other petrochemical projects, we consider that the decrease in cash is acceptable.

(d) Gearing

As at 31 December 2012, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts) over total equity (including non-controlling interests) was approximately 4.2%. Assuming no Future Capital Requirement will be incurred immediately upon Completion, having considered (i) currently, the Target has no interest-bearing borrowings, as such, total borrowings of the Group will remain unchanged; and (ii) the net assets of the Group will be increased upon Completion, therefore, the gearing ratio of the Group will be lowered given the increase in net assets upon Completion.

In the future, in the event that the Future Capital Requirement is financed by bank borrowings, total borrowings of the Enlarged Group will increase, so as the gearing ratio. If no bank borrowings are incurred, there will be no material impact on the gearing ratio.

Base on the foregoing, prior incurrence of the Future Capital Requirement, we note that the Acquisition will have (i) negative impact on earnings and working capital of the Group as assessed based on current status of the Target which has yet commenced operations; and (ii) positive impact to the net assets and gearing level of the Group. The Directors consider that the negative impact of the Acquisition on the Group's earnings and working capital will be temporary. Since, such impact is assessed based on current status of the Target which has yet commenced operations. Accordingly, current financial record of the Target has not yet reflected its revenue generating potential.

We note that as bank financing may be used for financing the Future Capital Requirement, it will (i) decrease earnings and working capital of the Group by the amount of interest expenses associated with bank borrowings; (ii) have no material impact to net assets of the Group; and (iii) increase gearing level of the Group. The extent of impact will be subject to the extent of bank financing adopted for the Future Capital Requirement and it cannot be ascertained at present.

Having considered (i) the Acquisition represents an opportunity for the Group to diversify into petrochemical industry with optimistic prospect; (ii) positive prospects of the Target after its business commencement in enhancing future earnings potential of the Group; and (iii) the potential synergy effects of the Acquisition with the Group's Trading Business and other petrochemical projects, we consider that the Acquisition, after commencement of operations of the Target and taking into account the Future Capital Requirement, on an overall basis, will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

It should be noted that the above analyses are for illustrative purposes only and does not purport to represent how the actual financial position of the Group will be on the date of Completion.

IV. Dilution effect on shareholding of the existing public Shareholders

Set out below is the shareholding in the Company as at the Latest Practicable Date and for illustrative purposes only, upon Completion, assuming there being no other changes in the issued share capital and the shareholding structure of the Company after the Latest Practicable Date.

	As at the Latest Practicable Date		**Upon Completion**	
	Number of Shares	*%*	*Number of Shares*	*%*
Triumph Energy Group Limited *(Note 1)*	924,139,143	60.87	924,139,143	60.11
J&A Investment Limited *(Note 2)*	127,718,000	8.41	127,718,000	8.31
Beihai Tianxiang	—	—	19,426,624	1.26
Other public Shareholders	466,246,469	30.72	466,246,469	30.32
	1,518,103,612	100.00	1,537,530,236	100.00

Notes:

1. 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 was owned as to 69.8% by Dr. Hui Chi Ming, 21.7% by Mr. Zheng Kangbao, 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 Latest Practicable Date.

2. 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 Latest Practicable Date.

As shown in the above table, shareholding of other public Shareholders will decrease from approximately 30.72% to approximately 30.32% immediately after Completion. Such potential dilution to the shareholdings of other public Shareholders represents a slight dilution of approximately 0.40%.

Although the shareholding interest of the existing public Shareholders will be diluted, having considered, (i) the benefits of the Acquisition as attributable to the Group as mentioned previously under the paragraph headed "Background of and reasons for the Acquisition"; (ii) partial settlement of the Consideration by way of issuing Consideration Shares involves no immediate cash outlay and will enable the Group to retain a higher level of cash resources for general working capital and/or fulfillment of its proposed or committed investments; and (iii) the potential dilution is modest, we consider that the dilution effects on shareholding of the existing public Shareholders to be acceptable.

RECOMMENDATION

Having taken into account the abovementioned factors and reasons, we are of the opinion that (i) the nature of the Acquisition is not in the ordinary and usual course of business of the Group but is in line with the strategic development of the Group; (ii) the terms of the Agreement and the transactions contemplated thereby are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into of the Agreement and the transactions contemplated thereby is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.hoifuenergy.com):

— the Annual Report 2010 (pages 40 to 120);

— the Annual Report 2011 (pages 45 to 124);

— the Annual Report 2012 (pages 51 to 132); and

— the Interim Report 2013 (pages 18 to 34).

2. MATERIAL ACQUISITIONS

Subsequent to 31 December 2012, the date to which the latest published audited accounts of the Company have been made up, the Group has acquired or agreed to acquire or is proposing to acquire an interest in the share capital of the following companies whose profits or assets make, will make or are expected to make a material contribution to the figures in the auditors' report or next published accounts of the Company:

(a) Hoifu Mineral Resources Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement on 1 August 2013 with Mr. Li Rong Jia and Zhen Hua Company Limited to acquire 60% equity interest in Zhen Hua Company Limited and its shareholder's loan for an aggregate consideration comprising cash payment of HK$1 and an option which entitles the holder(s) to subscribe up to 30,000,000 Shares at an initial exercise price of HK$1.38 per Share.

Zhen Hua Company Limited is principally engaged in the exploration, exploitation and production of minerals. It owns the rights to prospect, explore and mine industrial minerals (including but not limited to copper) in Mine 253, a mine with an area of approximately 1,056 square kilometers which is situated in Kitui District Eastern Province, Kenya, and the rights to prospect and explore for gold, iron ore and non-precious minerals in Mine 341, a mine with an area of approximately 417 square kilometers which is situated in Nandi County, Kenya.

The acquisition of Zhen Hua Company Limited was completed in August 2013.

(b) Pursuant to a capital injection agreement dated 30 August 2013 and four supplemental agreements thereof dated 30 October 2013, 27 November 2013, 30 December 2013 and 30 January 2014, 廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a wholly-owned subsidiary of the Company, agreed to invest in 51% equity interest in Qinzhou Hengyuan by injecting an additional capital of RMB140.0 million (equivalent to approximately HK$177.8 million) into Qinzhou Hengyuan.

Qinzhou Hengyuan Group is principally engaged in the businesses of wholesale and retail of refined oil and hazardous chemical products and aquatic oil stations and transportation services. It has also planned to launch the service of storage of refined oil and petroleum products by March 2014 after completion of the construction works of its first oil depot.

As at the Latest Practicable Date, the capital injection in Qinzhou Hengyuan has not been completed yet.

(c) Guangxi Hoifu Petroleum entered into a sale and purchase agreement on 3 September 2013 to acquire 51% equity interest in each of Guangxi Chenxi Gas Co., Ltd. and Beihai Tianxiang for a total consideration of 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 Share, subject to adjustment.

The principal activities of Guangxi Chenxi Gas Co., Ltd. include (i) development, construction and operation of liquefied petroleum gas terminals and integrated service facilities, which have not been commenced yet as at the Latest Practicable Date 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. The principal activities of Beihai Tianxiang and its subsidiaries are wholesale and retail of refined oil and operation of oil stations.

As at the Latest Practicable Date, the acquisitions of Guangxi Chenxi Gas Co., Ltd. and Beihai Tianxiang have not been completed yet.

(d) Guangxi Hoifu Energy Limited entered into a sale and purchase agreement on 12 January 2014 with 廣東偉經傢俱科技有限公司 (Guangdong Weijing Furniture Technology Co., Ltd.*), 上海點金實業有限公司 (Shanghai Dianjin Industrial Co., Ltd.*), 諸暨精石投資有限公司 (Zhuji Jingshi Investment Co., Ltd.*), 廣西玉柴石油化工有限公司 (Guangxi Yuchai Petrochemical Co., Ltd.*), Yuchai Machinery and the Company to acquire 70% equity interest in Guangxi Yuchai Petrochemical Co., Ltd. for a total consideration of RMB98.0 million (equivalent to approximately HK$125.4 million), which will be satisfied by payment of cash upon completion of the acquisition.

Guangxi Yuchai Petrochemical Co., Ltd. and its subsidiary are principally engaged in the manufacturing and sale of solvent oil such as methyl tert-butyl ether ("MTBE"), liquefied petroleum gas, xylene and trimethylbenzene. The manufacturing plant of Guangxi Yuchai Petrochemical Co., Ltd. is located at Qinzhou Port Jingu Petrochemical Industrial Park, Guangxi with a total area of approximately 300 mu and an annual production capacity of 60,000 tones of MTBE and 200,000 tones of liquefied petroleum gas.

As at the Latest Practicable Date, the acquisition of Guangxi Yuchai Petrochemical Co., Ltd. has not been completed yet.

3. INDEBTEDNESS

As at the close of business on 31 December 2013, being the latest practicable date for ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had no material borrowings.

As at the close of business on 31 December 2013, the Enlarged Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 December 2013, the Enlarged Group did not have outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources and banking facilities available to the Enlarged Group, the Enlarged Group would have sufficient working capital for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As disclosed in the 2012 annual report of the Company, the Directors intended to continue the existing business of the Group of oil and gas exploration and production and the provision of financial services. Meanwhile, the business mix of the Group will be restructured in order to increase the portion of oil and gas business with the aim of increasing the overall profitability of the Group.

To develop the oil and gas and natural resources exploration and exploitation business, the Group acquired (i) the entire issued share capital of China Oil Resources Company Limited, which is principally engaged in exploration and exploitation of hydrocarbon deposits in Tunisia; (ii) the entire issued share capital of Madagascar Northern Petroleum Company Limited, which owns the exploration, exploitation and operation rights as well as the profit sharing right of an oilfield block in Madagascar; and (iii) 60% equity interest in Zhen Hua Company Limited, which owns the rights to prospect and explore for industrial minerals, gold, iron ore and non-precious minerals in two mines in Kenya, during 2013. Subsequent to the completion of the acquisition of China Oil Resources Company Limited in April 2013, the Company has conducted a detailed operational review on the project and is in the process of conducting a technical assessment for drilling and preparing the budget for the project. It is expected that further exploration on the project will be carried out in the first half of 2014. Furthermore, the Group is currently performing feasibility studies on the oil and gas project in Madagascar and the mineral mining project Kenya. It is expected that further exploration on the projects in Madagascar and Kenya will also be carried out in the first half of 2014. In October 2013, the Group's application for extension of the concession right in oilfield block 2 located in Egypt to March 2014 was approved by the relevant authority in Egypt. However, in view of the continuous social unrest in Egypt, the Group intends to suspend the development of the project in Egypt until the political environment becomes more stable.

In 2013, the Group took active measures to expedite its development of petrochemical business. It formed a joint venture in Guangdong to carry out trading of petrochemical products and operation of petrol stations in the PRC and the ASEAN region. The Group also established several subsidiaries in the PRC and Madagascar to carry out the businesses of trading of petrochemical products and operation of petrol stations. It commenced trading of petrochemical products and natural resources in June 2013 and segment profit was recorded for the six months ended 30 June 2013. The Company intends to further develop this business segment by expanding its scale of operation and more resources are expected to be allocated to this segment for business development.

The Group has agreed to invest in 51% equity interest in Qinzhou Hengyuan by injecting additional capital of RMB140.0 million into Qinzhou Hengyuan, which is principally engaged in the businesses of wholesale and retail of refined oil and hazardous chemical products and aquatic oil stations and transportation services. Qinzhou Hengyuan has also planned to launch the service of storage of refined oil and petroleum products by March 2014 after completion of the construction works of its first oil depot. It is expected that the proceeds of RMB140.0 million from the capital injection will be applied by Qinzhou Hengyuan as to approximately RMB25.0 million for repayment of amount due to its shareholder, approximately RMB80.0 million for expansion of the operation scale of the wholesale and retail business of refined oil and approximately RMB35.0 million for construction of oil depots. The capital injection has not been completed yet as at the Latest Practicable Date. The Group will perform a detailed review on the business operations and financial position of Qinzhou Hengyuan Group for the purpose of formulating detailed business plans and strategies for its future business development.

In addition, the Group entered into a joint venture agreement with Yuchai Machinery Group on 12 November 2013. Pursuant to the joint venture agreement, the Group and Yuchai Machinery Group will form a joint venture company, which shall be owned as to 51% by the Group and 49% by Yuchai Machinery Group, to conduct investment and sale of engines, machinery equipment, special vehicles, parts and energy and petrochemical business. The Group and Yuchai Machinery Group are in the process of formulating the business plan of the joint venture and it is expected that the joint venture shall commence business in the first half of 2014.

As the Target is still in the process of establishing its manufacturing plant, the operation of which is expected to be commenced in 2017, no significant business activities are expected to be carried out by the Target in the year of 2014, save for the preparation works for the construction of the manufacturing plant. After completion of the Acquisition, the Group will perform a detailed review on the existing development plans and financial position of the Target for the purpose of formulating detailed business plans and strategies for its future business development with Yuchai Machinery.

In order to further strengthen its cooperation with Yuchai Machinery Group and lay a solid ground for development of its petrochemical business in Guangxi, the Group entered into a sale and purchase agreement on 12 January 2014, pursuant to which, the Group has agreed to acquire 70% equity interest in Guangxi Yuchai Petrochemical Co., Ltd., which is mainly engaged in manufacturing and sale of solvent oil such as MTBE, liquefied petroleum gas, xylene and trimethylbenzene. The acquisition is subject to approval by independent Shareholders at a special general meeting.

To provide funding for the abovementioned investments, the Company issued 32,000,000 new Shares at the subscription price of HK$1.42 per Share to two subscribers in December 2013 pursuant to two subscription agreements dated 21 November 2013. Net proceed of approximately HK$45.2 million was raised from the share subscription. The Company has planned to raise additional funding in the amount of approximately HK$300.0 million for its committed investments by way of issue of securities and/or debt instruments. The Directors are confident that the Company can complete the proposed fund raising activities and obtain the necessary funding before completion of the Acquisition. However, as at the Latest Practicable Date, no concrete terms of fund raising have been concluded yet. 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 following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, Elite, regarding the financial information of the Target for the ten months ended 31 October 2013 and three years ended 31 December 2012.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

28 February 2014

The Board of Directors
Hoifu Energy Group Limited
Units 1910–12, 19th Floor,
China Merchants Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

We report on the financial information (the "Financial Information") of Beibuwan Yuchai Energy Chemical Company Limited (the "Target") which comprises the statement of financial position of the Target as at 31 December 2010, 2011, 2012 and 31 October 2013, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target for each of the period from 28 September 2010 (date of establishment) to 31 December 2010, the years ended 31 December 2011, 2012 and the ten months ended 31 October 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information together with the unaudited financial information of the Target including the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes of equity for the ten months ended 31 October 2012 (the "31 October 2012 Corresponding Information"). This Financial Information has been prepared by the directors of the Target for inclusion in Appendix II to the circular issued by Hoifu Energy Group Limited (the "Company") dated 28 February 2014 (the "Circular") in connection with the acquisition of 65% equity interest in the Target by the Company.

The Target was established under the laws of the People's Republic of China (the "PRC") as a limited liability company on 28 September 2010. Its principal activities are production and sales of olefins and aromatics. The statutory financial statements of the Target were prepared in accordance with the accounting principles and regulations applicable to enterprises established in the PRC. These statutory financial statements were audited by Guangxi TongDe Certified Public Accountants Co., Limited (廣西同德會計師事務所有限責任公司) in the PRC for the year ended 31 December 2011 and 2012.

As at the date of this report, no statutory audited financial statements of the Target for the period from 28 September 2010 (date of establishment) to 31 December 2010 has been prepared as directors of the Target considered the short financial period.

For the purpose of this report, the directors of the Target have prepared the financial statements of the Target for the Relevant Periods, together with the notes thereto (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information for the Relevant Periods and 31 October 2012 Corresponding Information are prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provision of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

The directors of the Target are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Listing Rules, and for such internal control as the directors of the Target determined are necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are also responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. For the 31 October 2012 Corresponding Information, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target as at 31 October 2013, 31 December 2012, 2011 and 2010 of the results and cash flows for the Relevant Periods then ended in accordance with HKFRSs.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the 31 October 2012 Corresponding Information, for which the directors of Target are responsible, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Target's management and applying analytical procedures to the 31 October 2012 Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 October 2012 Corresponding Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 October 2012 Corresponding Information is not prepared, in all material respects, in accordance with the HKICPA.

Statement of Profit or Loss and Other Comprehensive Income of the Target

	Notes	Ten months ended 31 October 2013 RMB'000	Ten months ended 31 October 2012 RMB'000 (unaudited)	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000	Period from 28 September 2010 (date of establishment) to 31 December 2010 RMB'000
Turnover	3	—	—	—	—	—
Other income	7	2,392	3,356	3,951	5,597	859
Administrative expenses		(7,401)	(4,944)	(7,293)	(3,352)	(2,741)
(Loss)/Profit from operations	9	(5,009)	(1,588)	(3,342)	2,245	(1,882)
Finance costs		—	—	—	—	—
(Loss)/Profit before tax		(5,009)	(1,588)	(3,342)	2,245	(1,882)
Taxation	12	—	—	—	(91)	—
(Loss)/Profit and total comprehensive (expenses)/ income for the period/year		(5,009)	(1,588)	(3,342)	2,154	(1,882)
Attributable to:						
Owners of the Target		(5,009)	(1,588)	(3,342)	2,154	(1,882)
(Loss)/Earnings per share	13	N/A	N/A	N/A	N/A	N/A

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position of the Target

	Notes	As at 31 October 2013 RMB'000	As at 31 December 2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets					
Property, plant and equipment	*14*	5,341	5,443	1,566	694
Deposit for acquisition of land use rights	*15*	110,000	77,000	30,000	—
		115,341	82,443	31,566	694
Current assets					
Loan receivables	*16*	44,000	23,000	82,000	115,000
Other receivables, prepayments and deposits	*17*	13,103	10,591	6,988	881
Cash and bank balances		401	62,250	198	1,590
		57,504	95,841	89,186	117,471
Current liabilities					
Other payables and accrued expenses		833	1,263	389	47
Tax payable	*12*	91	91	91	—
		924	1,354	480	47
Net current assets		56,580	94,487	88,706	117,424
Net assets		171,921	176,930	120,272	118,118
Capital and reserve					
Paid up capital	*18*	180,000	180,000	120,000	120,000
Accumulated losses		(8,079)	(3,070)	272	(1,882)
Total equity		171,921	176,930	120,272	118,118

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity of the Target

	Paid up capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 28 September 2010 (date of establishment)	120,000	—	120,000
Loss and total comprehensive expenses for the period	—	(1,882)	(1,882)
At 31 December 2010 and at 1 January 2011	120,000	(1,882)	118,118
Profits and total comprehensive income for the year	—	2,154	2,154
At 31 December 2011 and 1 January 2012	120,000	272	120,272
Increase in paid up capital *(note 18)*	60,000	—	60,000
Loss and total comprehensive expenses for the year	—	(3,342)	(3,342)
At 31 December 2012 and 1 January 2013	180,000	(3,070)	176,930
Loss and total comprehensive expenses for the period	—	(5,009)	(5,009)
At 31 October 2013	180,000	(8,079)	171,921
At 1 January 2012	120,000	272	120,272
Loss and total comprehensive expenses for the year	—	(1,588)	(1,588)
At 31 October 2012	120,000	(1,316)	118,684

Statement of Cash Flows of the Target

	Ten months ended 31 October 2013	2012	Year ended 31 December 2012	2011	Period from 28 September 2010 (date of establishment) to 31 December 2010
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities					
(Loss)/Profit before taxation	(5,009)	(1,588)	(3,342)	2,245	(1,882)
Adjustment for:					
Depreciation	115	115	138	134	11
Interest income	(2,392)	(3,356)	(3,951)	(5,596)	(860)
Operating cash flows before movements in working capital	(7,286)	(4,829)	(7,155)	(3,217)	(2,731)
Decrease/(Increase) in other receivable, prepayments and deposits	(180)	(1,134)	312	(527)	(72)
(Decrease)/Increase in other payable and accrued expenses	(430)	1,192	874	342	47
Net cash used in operating activities	(7,896)	(4,771)	(5,969)	(3,402)	(2,756)
Investing activities					
Acquisition of property, plant and equipment	(13)	(4,015)	(4,015)	(1,006)	(705)
Deposit paid to acquire land use right	(33,000)	(20,000)	(47,000)	(30,000)	—
Loan made to related companies	(81,349)	(18,000)	(28,000)	(77,000)	(115,000)
Repayment from loan to related companies	60,349	52,000	87,000	110,000	—
Interest received	60	29	36	16	51
Net cash (used in)/from investing activities	(53,953)	10,014	8,021	2,010	(115,654)
Financing activities					
Capital injection	—	—	60,000	—	120,000
Net cash from financing activities	—	—	60,000	—	120,000
Net (decrease)/increase in cash and cash equivalents	(61,849)	5,243	62,052	(1,392)	1,590
Cash and cash equivalents at beginning of period/year	62,250	198	198	1,590	—
Cash and cash equivalents at end of period/year	401	5,441	62,250	198	1,590
Analysis of balances of cash and cash equivalents					
Cash and bank balances	401	5,441	62,250	198	1,590

Notes to the financial information

1. GENERAL

Beibuwan Yuchai Energy Chemical Co., Limited (the "Target") was established under the laws of the PRC as a limited liability company on 28 September 2010. Its registered office is located at No. 68 Legou East Street, Qinzhou Port, Qinzhou, Guangxi.

The Target is principal engaged in production and sales of olefins and aromatics. As the production plant and manufacture base are under construction and no production has commenced.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Target applied HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" and adopted all Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the accounting periods beginning on 1 January 2013 in the preparation of the Financial Information for the Relevant Periods.

The Target has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivative and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
Annual Improvements 2011–2013 Cycle	Amendment to a number of HKFRSs issued in January 2014[2]

1. Effective for annual periods beginning on or after 1 January 2014
2. Effective for annual periods beginning on or after 1 July 2014
3. Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4. Effective for annual periods beginning on or after 1 January 2016

The directors of the Target anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target in the reporting period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies are set out below.

The principal accounting policies are set out below.

Revenue recognition

As the manufacturing base of the Target are in start up phase and no revenue has been generate from the business of the Target during the Relevant Periods.

Interest income from bank deposits and loan receivables are accrued on a time-proportion basis by reference to the principal outstanding and the applicable interest rate.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and subsequent accumulated impairment losses, if any. The cost of an item of fixed assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Motor vehicle	5 years
Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment losses on tangible assets

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

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Target is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

Payments to defined contribution retirement benefits scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and a financial liability is offset and the net amount presented in the statement of financial position when and only when the Target currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

The Target's financial assets are classified as loans and receivables.

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including bank balances and cash, loans receivable and other receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

For loan and receivables, objective evidence of impairment could include:

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including other payables and accrued expenses are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

The Target derecognises financial liability when, and only when, the Target's obligations are discharged, cancelled or expire.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the end of the financial period or in the normal course of the Target's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the financial period or in the normal course of the Target's operating cycle.

Provision

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

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

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

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Target. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related parties

A related party is a person or entity that is related to the Target.

(a) A person or a close member of that person's family is related to the Target if that person:

   (i) has control or joint control over the Target;

   (ii) has significant influence over the Target; or

   (iii) is a member of the key management personnel of the Target or of the parent of the Target.

(b) An entity is related to the Target if any of the following conditions applies:

(i) The entity and the Target are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target or an entity related to the Target. If the Target is itself such a plan, the sponsoring employers are also related to the Target.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying the Target's accounting policies which are described in note 3, management of the Target has made the following estimate that has a significant effect on the amounts recognised in the Target financial statements. The key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Impairment of loan receivables

In considering the impairment losses that may be required for the Target's loan receivables, the recoverable amounts of these assets have to be determined.

The Target reviews its loan receivables to assess whether there is any objective evident that a loan receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Target makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or national or local economic conditions that correlate with defaults on assets in the Target. Management uses estimates based on their experience for assets with credit risk characteristics and objective evidence of impairment similar to the borrower when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Income taxes and deferred taxation

The Target is subject to Enterprise Income tax in PRC. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Target consists of net debt (which includes other payable and accrued expenses less cash and bank balances) and equity attributable to the Target (comprising paid-up capital and accumulated losses).

The directors of the Target review the capital structure on a continuous basis. As part of this review, the directors of the Target consider the cost of capital and the risks associated with each class of capital, and takes appropriate actions to balance its overall capital structure. The Target is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 October	As at 31 December		
	2013	**2012**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets by category				
— Loan and receivables (including cash and bank balances)	57,504	95,841	89,186	117,471
Financial liabilities by category				
— At amortised cost	833	1,263	389	47

Financial risk management objectives and policies

The Target has no written risk management policies and guidelines. The directors of the Target are responsible to analyse and formulate strategies to manage and monitor the Target's exposure to variety of risks associated with financial instruments which arise from the Target's operating activities. Generally, the Target employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to these risks are mitigated are described as follow:

(a) Market risk

Currency risk

The business transactions of the Target conducted during the year end 31 December 2010, 2011, 2012 and 10 month ended 31 October 2013 were mainly denominated and settled in Reminbi. Therefore, no exposure in currency risks and therefore no sensitivity analysis has been presented. The Target currently does not have hedging policy in respect of the foreign currency risk.

Interest rate risk

The Target is not exposed to fair value interest rate risk but exposed to cash flow interest rate risk in relation to loan receivable and variable-rate bank balances. The Target currently does not have interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The management considered the Target's exposure to cash flow interest rate risk is not material, and does not anticipate any significant impact resulting from the changes in interest rates. Hence, no sensitivity analysis is presented.

(b) Credit risk

As at end of each reporting period, the Target's maximum exposure to credit risk which will cause a financial loss to the Target due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

In order to minimise the credit risk, management of the Target has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, the Target reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target consider that the Target's credit risk is significantly reduced.

The credit risk on bank deposits is minimal as these amounts are placed in banks with good reputation.

The Target has no significant concentration of credit risk on loan receivable and other receivables, with exposure spread over a number of counterparties and customers.

(c) Liquidity risk

In the management of the liquidity risk, the Target monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Target's operations and mitigate the effects of fluctuations in cash flows.

The Target's liquidity position is monitored on a daily basis by management and is reviewed monthly by the directors of the Target. The following table details the Target's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target can be required to pay.

As at 31 October 2013

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 but less than 2 years**	**More than 2 but less than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accrued expenses	833	833	833	—	—

As at 31 December 2012

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 but less than 2 years	More than 2 but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accrued expenses	1,263	1,263	1,263	—	—

As at 31 December 2011

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 but less than 2 years	More than 2 but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accrued expenses	389	389	389	—	—

As at 31 December 2010

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 but less than 2 years	More than 2 but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accrued expenses	47	47	47	—	—

7. OTHER INCOME

	Ten months ended 31 October		Year ended 31 December		Period from 28 September 2010 (date of establishment) to 31 December
	2013	**2012**	**2012**	**2011**	**2010**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Bank interest income	60	29	36	17	50
Other interest income arising from loan to related companies	2,332	3,327	3,915	5,580	809
	2,392	3,356	3,951	5,597	859

8. SEGMENT INFORMATION

The Target has not yet commenced business and plans to engage in production and sales of olefins and aromatics when the construction of production plant and manufacture base has been completed in the year of 2016. The management considers that the Target has one single segment which was managed as a single strategic business unit and all information were reported to the director's of the Target, being the chief operating decision marker, for purpose of resources allocation and assessment performance. Accordingly, no segment analysis is presented.

9. PROFIT/(LOSS) FROM OPERATIONS

	Ten months ended 31 October		**Year ended 31 December**		**Period from 28 September 2010 (date of establishment) to 31 December**
	2013	**2012**	**2012**	**2011**	**2010**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Auditor's remuneration	16	—	20	4	—
Directors' emoluments					
— fees	—	—	—	—	—
— other emoluments	—	—	—	—	—
Depreciation	115	115	138	134	11
Staff costs (excluding directors' emoluments)					
— salaries and allowances	832	567	642	218	6
— defined contribution plan	51	38	45	28	2
	883	605	687	246	8

10. DIRECTORS' EMOLUMENTS

The remuneration paid and payable of the directors of the Target during the Relevant Periods are analysed as follows:

For the period from 28 September 2010 (date of establishment) to 31 December 2010

		Fee	**Salaries and other benefits**	**Contributions to retirement benefits scheme**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Chen Qiuping	*(a)*	—	—	—	—
Mr. Huang wen	*(a)*	—	—	—	—
Mr. Yu Ge	*(a)*	—	—	—	—
Mr. Han Baoping	*(b)*	—	—	—	—
Mr. Chen Jinhai	*(a)*	—	—	—	—
		—	—	—	—

For the year ended 31 December 2011

		Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Chen Qiuping	*(a)*	—	—	—	—
Mr. Huang Wen	*(a)*	—	—	—	—
Mr. Yu Ge	*(a)*	—	—	—	—
Mr. Han Baoping	*(b)*	—	—	—	—
Mr. Chen Jinhai	*(a)*	—	—	—	—
		—	—	—	—

For the year ended 31 December 2012

		Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Chen Qiuping	*(a)*	—	—	—	—
Mr. Huang Wen	*(a)*	—	—	—	—
Mr. Yu Ge	*(a)*	—	—	—	—
Mr. Chan Jinhai	*(a)*	—	—	—	—
Ms. Wang Hong	*(c)*	—	—	—	—
Mr. Zhou Sunhai	*(c)*	—	—	—	—
Mr. Shen Heping	*(c)*	—	—	—	—
Mr. Wu Yulu	*(c)*	—	—	—	—
Mr. Yu Yuefeng	*(c)*	—	—	—	—
		—	—	—	—

For the ten months ended 31 October 2012 (unaudited)

		Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Chen Qiuping	*(a)*	—	—	—	—
Mr. Huang Wen	*(a)*	—	—	—	—
Mr. Yu Ge	*(a)*	—	—	—	—
Mr. Han Baoping	*(b)*	—	—	—	—
Mr. Chen Jinhai	*(a)*	—	—	—	—
		—	—	—	—

For the ten months ended 31 October 2013

		Fee	Salaries and other benefits	Contributions to retirement benefits scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Chen Qiuping	*(a)*	—	—	—	—
Mr. Huang Wen	*(a)*	—	—	—	—
Mr. Yu Ge	*(a)*	—	—	—	—
Mr. Chan Jinhai	*(a)*	—	—	—	—
Ms. Wang Hong	*(c)*	—	—	—	—
Mr. Zhou Sunhai	*(c)*	—	—	—	—
Mr. Shen Heping	*(c)*	—	—	—	—
Mr. Wu Yulu	*(c)*	—	—	—	—
Mr. Yu Yuefeng	*(c)*	—	—	—	—
		—	—	—	—

During the Relevant Periods, no remunerations has been paid to directors of the Target.

During the Relevant Periods, no emolument was paid by the Target to the directors as an inducement to join the Target or as compensation for loss of office. The directors of the Target have not waived any emoluments during the Relevant Periods.

Notes:

(a) The directors were being appointed since 28 September 2010;

(b) The directors were appointed on 28 September 2010 and resigned on 28 December 2012; and

(c) The directors were appointed on 28 December 2012.

11. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Target excluded the directors of the Target Company for the Relevant Periods.

	Ten months ended 31 October		Year ended 31 December		Period from 28 September 2010 (date of establishment) to 31 December
	2013	2012	2012	2011	2010
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other benefits	832	567	642	218	6
Contributions to retirement Benefits scheme	51	38	45	28	2
	883	605	687	246	8

The aggregate emoluments of each of the five highest paid individuals for the Relevant Periods were less than RMB1,000,000.

During the Relevant Periods, no amount has been paid by the Target to any of the five highest paid employees as an inducement to join the Target, as compensation for loss of office or as commitment fees to existing director for entering into new services contracts with the Target.

12. TAXATION

PRC's Enterprise Income Tax has been provided at the rate of 25% on the estimated assessable profits arising in PRC for the Relevant Periods.

	Ten months ended 31 October		Year ended 31 December		Period from 28 September 2010 (date of establishment) to 31 December
	2013	2012	2012	2011	2010
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Current tax	—	—	—	91	—

The taxation for the period/year can be reconciled to the profit/(loss) before taxation per the statement of profit or loss as follows:

	Ten months ended 31 October		Year ended 31 December		Period from 28 September 2010 (date of establishment) to 31 December
	2013	2012	2012	2011	2010
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(5,009)	(1,588)	(3,342)	2,245	(1,882)
Tax at PRC Enterprise Income Tax rate of 25%	(1,252)	(397)	(836)	561	(470)
Tax effect of tax losses not recognised	1,252	397	836	—	470
Utilisation of tax losses previously not recognised	—	—	—	(470)	—
	—	—	—	91	—

At 31 December 2012 and 31 October 2013, the Target had estimated unused tax losses approximately RMB3,342,000 and RMB5,009,000 respectively available for offset against future profits. No deferred tax asset has been recognised in relation to such unused tax losses as it is not probable that taxable profit will be available against which the unused tax losses and deductible temporary differences can be utilised. Tax losses may be carried forward 5 years.

13. EARNINGS PER SHARE

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

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Office equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
AT COST:				
At 28 September 2010 (date of establishment)	—	—	—	—
Addition	—	705	—	705
At 31 December 2010 and at 1 January 2011	—	705	—	705
Addition	1,000	—	6	1,006
At 31 December 2011 and at 1 January 2012	1,000	705	6	1,711
Addition	4,000	—	15	4,015
At 31 December 2012 and at 1 January 2013	5,000	705	21	5,726
Addition	—	—	13	13
At 31 October 2013	5,000	705	34	5,739
ACCUMULATED DEPRECIATION:				
At 28 September 2010 (date of establishment)	—	—	—	—
Charge for the year	—	11	—	11
At 31 December 2010 and at 1 January 2011	—	11	—	11
Charge for the year	—	134	—	134
At 31 December 2011 and at 1 January 2012	—	145	—	145
Charge for the year	—	134	4	138
At 31 December 2012 and at 1 January 2013	—	279	4	283
Charge for the period	—	112	3	115
At 31 October 2013	—	391	7	398
NET BOOK VALUE:				
At 31 October 2013	5,000	314	27	5,341
At 31 December 2012	5,000	426	17	5,443
At 31 December 2011	1,000	560	6	1,566
At 31 December 2010	—	694	—	694

15. DEPOSIT FOR ACQUISITION OF LAND USE RIGHT

The deposits for acquisition of land use right represented amount paid to the relevant government department for a port of land located in QinZhou Port with gross area of approximately 1.2 million Square Meter (1,873 Mo). The Target has planned to construct an olefins and aromatics manufacturing plants with annual production capacity of 2 million tones on the land. The deposit paid are refundable and could be offset the total payment of the land if the Target has successfully obtained the land use right.

16. LOAN RECEIVABLES

		Maximum debit balance	As at 31 October 2013	As at 31 December 2012	2011	2010
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zhuhai Yuchai Yuwai Trade Co., Limited	*(a)*	101,904	10,000	13,000	73,000	55,000
Guangxi Yuchai Petrochemical Limited	*(b)*	85,325	24,000	—	9,000	60,000
Guangxi Yuchai Energy Chemical Limited	*(c)*	10,466	—	10,000	—	—
Guangxi Tianqi Shengyuan Petrochemical Limited	*(d)*	5,236	5,000	—	—	—
Qinzhou Yuchai Petrochemical Sales Limited	*(e)*	5,134	5,000	—	—	—
		208,065	44,000	23,000	82,000	115,000

(a) The balances represent amount due to a member company of Guangxi Yuchai Machinery Group Limited ("Yuchai Group") which is the ultimate holding company of a significant shareholder of the Target. The balances are carried at PRC bank lending rate from interest of 5.56% to 6.56% and are unsecured and recoverable on demand.

(b) The balances represent amount due to a member company of Yuchai Group and carried at interest at PRC bank lending rate from 5.56% to 6.56% and are unsecured and recoverable on demand.

(c) The balances represent amount due to a member company of Yuchai Group and carried at PRC bank lending rate of 6.0% and are unsecured and recoverable on demand.

(d) The balances represent amount due to a member company of Yuchai Group are carried at PRC bank lending rate of 6.0% and are unsecured and recoverable on demand.

(e) The balances represent amount due to a member company of Yuchai Group are carried at PRC bank lending rate of 6.0% and are unsecured and recoverable on demand.

17. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 October	As at 31 December		
	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest receivables *(note i)*	12,211	10,304	6,389	809
Other deposit and receivables	467	287	599	72
Amount due from Guangxi Yuchai Machinery Group Limited *(note ii)*	425	—	—	—
	13,103	10,591	6,988	881

(i) Interest receivables represents the interest from loan receivables from related companies disclosed in note 16.

(ii) The amount is interest free, unsecured and recoverable in demand.

18. PAID UP CAPITAL

	As at 31 October	As at 31 December		
	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(note a)		*(note b)*
Registered and paid up capital:				
At 1 January	180,000	120,000	120,000	—
Increase in registered and paid up capital	—	60,000	—	120,000
At 31 December/31 October	180,000	180,000	120,000	120,000

Notes:

(a) Capital injection from the existing shareholders and new shareholders of RMB60 million during the year of 2012 and the paid up share capital has been increased from RMB120 million to RMB180 million accordingly.

(b) Initial share capital from the founders of the Target with amount of RMB120 million during the year of 2010.

19. RETIREMENT BENEFITS SCHEMES

The employees of the Target in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Target is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

20. RELATED PARTIES TRANSACTIONS

(a) Transaction with related party

Apart from details of the balances with related companies disclosed in the respective notes, the Target entered into the following transactions with related companies during the Relevant Periods:

Interest income received from related companies

		Ten months ended 31 October		Year ended 31 December		28 September 2010 (date of establishment) to 31 December
		2013	2012	2012	2011	2010
		RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Zhuhai Yuchai Yuwai Trade Co., Limited	*(i)*	759	3,300	3,888	4,419	484
Guangxi Yuchai Petrochemical Co., Limited	*(i)*	312	27	27	1,161	325
Guangxi Yuchai Energy Chemical Limited	*(i)*	466	—	—	—	—
Guangxi Tianqi Shengyuan Petrochemical Limited	*(i)*	134	—	—	—	—
Qinzhou Yuchai Petrochemical Sales Limited	*(i)*	236	—	—	—	—
Quangxi Yuchai Machinery Group Limited	*(i)*	425	—	—	—	—
		2,332	3,327	3,915	5,580	809

(i) The related companies are member companies of Yuchai Group which is a substantial shareholder of the Target.

(b) Compensation of key management personnel

Details of the remuneration of key management personnel, who are the five highest paid individuals, during the Relevant Periods, are set out in note 10 and 11.

21. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 October 2013.

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

A. ACCOUNTANTS'S REPORT ON PRO FORMA FINANCIAL INFORMATION

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

The Board of Directors
Hoifu Energy Group Limited
Units 1910–12, 19th Floor,
China Merchants Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sir,

We have completed our assurance engagement to report on the compilation of pro forma financial information (the "Unaudited Pro Forma Financial Information") of Hoifu Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consist of the pro forma consolidated statement of assets and liabilities as at 31 December 2012 and related notes as set out on pages 77 to 81 of the circular of the Company dated 28 February 2014 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on page 78 of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Group's proposed acquisition for 65% equity interest of Beibuwan Yuchai Energy Chemical Co., Ltd (the "Target") (together with the Group, hereinafter collectively referred to as the "Enlarged Group") on the Group's financial position as at 31 December 2012 as if the transaction was completed on 31 December 2012. As part of this process, information about the Group's financial position extracted by the directors of the Company from the Group's financial statements for year ended 31 December 2012, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2012 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 28 February 2014
Yip Kai Yin
Practising Certificate Number: P05131

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Introduction

The following is the Unaudited Pro Forma Financial Information of the Enlarged Group as if the acquisition of 65% equity interest of the Target ("Acquisition") was completed on 31 December 2012 for the unaudited pro forma consolidated statement of assets and liabilities. The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the Acquisition. Details of the Acquisition are set out in the Letter from the Board contained in the Circular.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group has been prepared based upon: (i) the audited consolidated statement of financial position of the Group as at 31 December 2012, which has been extracted from the published annual report of the Group for the year ended 31 December 2012; (ii) the audited statement of financial position of the Target as at 31 October 2013 as extracted from the accountant's report thereon set out in Appendix II to the Circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition as explained in the accompanying notes that are directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The Unaudited Pro Forma Financial Information have been prepared as if the Acquisition have been completed (the "Completion") on 31 December 2012 for the unaudited pro forma consolidated statement of assets and liabilities. The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company and based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon Completion. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the actual financial position of the Enlarged Group on Completion. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after Completion. The Unaudited Pro Forma Financial Information of the Enlarged Group was prepared in accordance with paragraph 29 of Chapter 4 and paragraph 69(4)(a)(ii) of Chapter 14 of the Listing Rules.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as extracted from the published annual report of the Group for the year ended 31 December 2012 and the accountant's report of the Target as set out in Appendix II to the Circular.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2012

	The Group As at 31 December 2012	The Target as at 31 October 2013	2013	Sub-total	Pro forma Adjustments		Unaudited pro forma of the Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	Note 1	*Note 2*	*Note 2*				
Non-current assets							
Property, plant and equipment	749	5,341	6,754	7,503			7,503
Trading right	—	—	—	—			—
Goodwill	—	—	—	—	21,958	*3*	21,958
Deposits paid for acquisition of a subsidiary	1,086	—	—	1,086			1,086
Deposits paid for acquisition of land use right	—	110,000	139,106	139,106			139,106
Exploration and evaluation assets	—	—	—	—			—
Statutory deposits	4,307	—	—	4,307			4,307
Loan receivables	700	—	—	700			700
	6,842	115,341	145,860	152,702			174,660
Current assets							
Accounts receivable	71,142	—	—	71,142			71,142
Loan receivables	199	44,000	55,643	55,842			55,842
Other receivable, prepayment and deposits	6,210	13,103	16,570	22,780			22,780
Pledged fixed deposits (general accounts)	7,530	—	—	7,530			7,530
Bank balance (trust and segregated accounts)	90,345	—	—	90,345			90,345
Bank balances (general accounts) and cash	215,885	401	507	216,392	(124,423)	*3*	91,969
	391,311	57,504	72,720	464,031			339,608
Current liabilities							
Accounts payable	114,007	—	—	114,007			114,007
Other payable and accrued expenses	13,954	833	1,053	15,007			15,007
Bank overdraft	9,156	—	—	9,156			9,156
Amounts due to directors	41,995	—	—	41,995			41,995
Tax payables	—	91	115	115			115
	179,112	924	1,168	180,280			180,280
Net current assets	212,199	56,580	71,552	283,751			159,328
Net assets	219,041	171,921	217,412	436,453			333,988

Notes to unaudited pro forma consolidated statement of assets and liabilities:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2012.

2. The balances are extracted from the statement of financial position of the Target as at 31 October 2013 as set out in Appendix II to the Circular. For the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities, the presentation currency of the Target are translated from Renminbi ("RMB") to Hong Kong dollars ("HK$"). Items of the consolidated statement of financial position are translated into RMB at the exchange rate of RMB1 to HK$1.2646.

3. Upon completion of the Acquisition, the identifiable assets and liabilities of Target will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

   As disclosed in the unaudited pro forma statements of assets and liabilities of the Enlarged Group, the Enlarged Group has net current asset of approximately HK$159,328,000 and a net asset of approximately HK$333,988,000.

   For the purpose of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the identifiable assets and liabilities of the Target as at 31 October 2013 are stated at their fair value as at 31 October 2013.

   The fair value of assets and liabilities of the Target are estimated by the directors of the Company taking into consideration of the nature of the identifiable assets and liabilities. The directors of the Company determined that the carrying amount of the assets and liabilities are approximately equal to their fair value and no fair value adjustment regarding to the assets and liabilities have been made accordingly.

   The amount of goodwill which represents the consideration transferred over the Company's share of fair value of the net identifiable assets and liabilities of the Target, is approximately HK$21,958,000, which is analysed as follows:

	HK$'000
Consideration *(note a)*	163,276
Fair value of the identifiable net assets to be acquired as at 31 October 2013	217,412
Non-controlling interest of 35% in the Target	(76,094)
	141,318
Goodwill *(note b)*	21,958

   Notes:

   (a) Pursuant to the Sales and Acquisition Agreement and the supplementary agreement dated on 15 December 2013 and 27 January 2014 respectively, the total Consideration was amounted to approximately RMB128,172,000 (equivalent to approximately HK$163,276,000 translated at exchange rate of RMB1 to HK$1.2739), which shall be satisfied by way (i) cash consideration of approximately RMB97,672,000 (equivalent to approximately HK$124,423,000) and 19,426,624 shares of the Company at HK$2 each, with value of approximately HK$38,853,000.

(b) The directors of the Company have performed an impairment test to assess whether there is any impairment of the goodwill in accordance with HKAS 36 "Impairment of Assets" and concluded that there is no impairment in respect of the goodwill. The reporting accountants of the Acquisition reviewed and concurred with the assessment of impairment in goodwill by the directors of the Company.

An impairment test of goodwill involves the determination of the recoverable amount of the cash generating unit to ("CGU") which the goodwill has been allocated, being the higher of the fair value of CGU less cost to sell and its value in use.

The recoverable amount of the CGU is determined based on a value in use calculation which uses cash flow projections covering a five-year period, and a discount rate of 12.67% per annum. The discount rate was determined by the directors based on the weight average cost of capital of the Target. The weighted average cost of capital of the Target has been made with reference to the capital structure and risk profile of chemical companies in the market whose businesses are similar to the proposed principal activities of the Target upon commencement of business in the year of 2017. The directors assume that there is no significant change in the weighted average cost of capital during the period of the cash flow projection. Cash flows beyond that five-year period have been extrapolated using a constant figure of the fifth year's net cash flow.

The key assumptions used in the cash flow projections mainly consist of (i) projected revenue generated from and projected production cost used in the sales of petrochemicals which are based on the corresponding capacity of the production plant; and (ii) the market price of the products.

Given that the land has not been acquired yet and the manufacturing plant has not been built by the Target, the directors of the Company have used their best estimation on the projected cash flow of the Target with the following assumptions:

(i) The directors have assumed that the Target would complete the acquisition of land in May 2015;

(ii) The directors also assumed that the construction of the manufacturing plant would be completed in year of 2016;

(iii) The market price of products as at 21 January 2014 were used for projecting the revenue;

(iv) The market price of raw materials as at 21 January 2014 were used for projecting the cost of sales;

(v) The production quantity would be based on 80% full capacity of the manufacturing plant of the Target; and

(vi) The directors also assumed that the market price of products and raw materials would have no material change in the future or the price change would be in line with each other and therefore the profits margin are assumed to be constant during the period of the cash flow projection.

It is the sole responsibility of the director of the Company to ensure the Company is adopting and will continue to adopt consistent accounting policies and ensure the principal assumptions of the valuation for assessment of the impairment of the goodwill are consistent for the annual audit of the Enlarge Group in future.

4. The Company has entered into several proposed acquisitions recently and as these transactions are still in progress and the financial information of these transactions will be subject to change and amendment, the directors of the Company consider that it is not appropriate to include the financial information of these transactions in the unaudited pro forma financial information of the Enlarged Group for the purposes of the Acquisition. Thus, the financial position of the Enlarged Group may be different if these other proposed acquisitions are completed. The proposed material acquisitions are summarized as follows:

(a) Pursuant to a capital injection agreement dated 30 August 2013 and four supplemental agreements thereof dated 30 October 2013, 27 November 2013, 30 December 2013 and 30 January 2014 respectively, the Group proposed to acquire 51% equity interest of Guangxi Qinzhou Hengyuan Petrochemical Co., Ltd. ("Qinzhou Hengyuan") by injecting an additional capital of RMB140.0 million (equivalent to approximately HK$177.8 million) into Qinzhou Hengyuan. Qinzhou Hengyuan and its subsidiaries are principally engaged in the business of wholesale and retail of refined oil and hazardous chemical products and aquatic oil stations and transportation services. It has also planned to launch the service of storage of refined oil and petroleum products by March 2014 after completion of the construction works of its first oil depot. As at latest practicable date, the capital injection in Qinzhou Hengyuan has not been completed yet.

(b) The Group has entered into a sale and purchase agreement on 3 September 2013 to acquire 51% equity interest in each of Guangxi Chenxi Gas Co., Limited and Beihai Tianxiang Aviation Oil Storage and Transportation Co., Limited ("Beihai Tianxiang") for a total consideration of 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$118,745,000) 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 share, subject to adjustment.

The principal activities of Guangxi Chenxi Gas Co., Limited include (i) development, construction and operation of liquefied petroleum gas terminals and integrated service facilities, which have not been commenced yet as at the latest practicable date as the required facilities are under construction; (ii) storage and sales of liquefied petroleum gas; and (iii) sales of fuel oil, lubricating oil, solvent oil and other petrochemical products. The principal activities of Beihai Tianxiang and its subsidiaries are wholesale and retail of refined oil and operation of oil stations.

As at the latest practicable date, both above acquisitions have not yet been completed.

(c) The Group has entered into a sale and purchase agreement on 12 January 2014 to acquire 70% equity interest in Guanxi Yuchai Petrochemical Co., Limited for a total consideration of RMB98 million (equivalent to approximately HK$125.4 million), which will be satisfied by payment of cash upon completion of the acquisition.

Guangxi Yuchai Petrochemical Co., Limited and its subsidiary ("Guangxi Yuchai Group") are principally engaged in the manufacturing and sales of solvent oil such as methyl ter-butyl ether ("MTBE"), liquefied petroleum gas, xylene and trimethy benzene. The manufacturing plant of Guangxi Yuchai Group is located at Qinzhou Port Jingu Petrochemical Industrial Park, Guangxi with a total area of approximately 300 mu and an annual production capacity of 60,000 tones of MTBE and 200,000 tones of liquefied petroleum gas. As at the latest practicable date, the acquisition of Guangxi Yuchai Group has not been completed yet.

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

FOR THE PERIOD FROM 28 SEPTEMBER 2010 (DATE OF INCORPORATION) TO 31 DECEMBER 2010

Business Review

The Target was incorporated under the laws of the PRC as a limited liability company on 28 September 2010. The Target had not conducted any business, except the preparation works for the establishment of the manufacturing plant, and therefore no revenues were generated from the business of the Target during the period under review.

A loss attributable to the owners of the Target of approximately RMB1.9 million, which was mainly attributable to the administrative expenses, was recorded for the period.

Capital Structure, Liquidity and Financial Resources

The Target managed its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the equity balance. The Target relied principally on the equity capital provided by the shareholders to finance its business and did not have any interest-bearing bank and other borrowings. The Target's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.0004 as at 31 December 2010.

Foreign Currency Risks

The business transactions of the Target conducted during the period ended 31 December 2010 were mainly denominated in RMB. Therefore, the Target's exposure in currency risks was considered by the management to be minimal and the Target had not used any financial instrument for hedging purposes during the period.

Capital Commitment

The Target did not have any material capital commitment as at 31 December 2010.

Charge of Assets

The Target did not have any charge on any of its assets as at 31 December 2010.

Contingent Liabilities

The Target did not have any contingent liability as at 31 December 2010.

Material Investments, Acquisitions or Disposals

The Target had not acquired or disposed of any subsidiary or affiliated company during the period under review and it did not have any significant investments held or plan for material investments or capital assets, except the establishment of the manufacturing plant, as at 31 December 2010.

Segmental Analysis

The Target had not conducted any business during the period under review and therefore no segmental analysis is presented.

Employees and Remuneration Policy

The Target had 9 employees as at 31 December 2010 and the total staff costs for the period amounted to approximately RMB8,000.

Salaries of employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the staff concerned. Remuneration packages comprised salaries and defined contribution pension fund.

FOR THE YEAR ENDED 31 DECEMBER 2011

Business Review

The Target had not conducted any business, except the preparation works for the establishment of the manufacturing plant, and therefore no revenues were generated from the business of the Target during the year under review.

During the year under review, the approval on the feasibility assessment of the manufacturing plant and the land pre-approval have been obtained from the relevant government authorities of Qinzhou and the Target has appointed a design company to conduct a preliminary design for the manufacturing plant.

A profit attributable to the owners of the Target of approximately RMB2.2 million was recorded for the year as interest incomes of approximately RMB5.6 million were generated from bank deposits and amount due from related companies.

Capital Structure, Liquidity and Financial Resources

The Target managed its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the equity balance. The Target relied principally on the equity capital provided by the shareholders to finance its business and did not have any interest-bearing bank and other borrowings. The Target's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.004 as at 31 December 2011.

Foreign Currency Risks

The business transactions of the Target conducted during the year ended 31 December 2011 were mainly denominated in RMB. Therefore, the Target's exposure in currency risks was considered by the management to be minimal and the Target had not used any financial instrument for hedging purposes during the year.

Capital Commitment

The Target did not have any material capital commitment as at 31 December 2011.

Charge of Assets

The Target did not have any charge on any of its assets as at 31 December 2011.

Contingent Liabilities

The Target did not have any contingent liability as at 31 December 2011.

Material Investments, Acquisitions or Disposals

The Target had not acquired or disposed of any subsidiary or affiliated company during the year under review and it did not have any significant investments held or plan for material investments or capital assets, except the establishment of the manufacturing plant, as at 31 December 2011.

Segmental Analysis

The Target had not conducted any business during the year under review and therefore no segmental analysis is presented.

Employees and Remuneration Policy

The Target had 10 employees as at 31 December 2011 and the total staff costs for the year amounted to approximately RMB246,000.

Salaries of employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the staff concerned. Remuneration packages comprised salaries and defined contribution pension fund.

FOR THE YEAR ENDED 31 DECEMBER 2012

Business Review

The Target had not conducted any business, except the preparation works for the establishment of the manufacturing plant, and therefore no revenues were generated from the business of the Target during the year under review.

During the year under review, the Target obtained the approvals on the construction of the manufacturing plant, the safety assessment and the energy saving assessment from the relevant government authorities. Meanwhile, the planning and preliminary design of the manufacturing plant was also completed during the year. The Target was in the process of preparing the environmental assessment and land requisition. As at 31 December 2012, demolition work on land with total area of approximately 400 mu for construction of the manufacturing plant had been completed.

A loss attributable to the owners of the Target of approximately RMB3.3 million was recorded for the year as the administrative expenses for the year increased substantially by approximately 117.6% as compared to the pervious year. The increase in administrative expenses was mainly attributable to the costs of preparation works for the establishment of the manufacturing plant such as the environmental assessment fee, safety assessment fee, energy efficiency assessment fee and land surveying fee.

Capital Structure, Liquidity and Financial Resources

The Target managed its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the equity balance. The Target relied principally on the equity capital provided by the shareholders to finance its business and did not have any interest-bearing bank and other borrowings. The Target's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.008 as at 31 December 2012.

Foreign Currency Risks

The business transactions of the Target conducted during the year ended 31 December 2012 were mainly denominated in RMB. Therefore, the Target's exposure in currency risks was considered by the management to be minimal and the Target had not used any financial instrument for hedging purposes during the year.

Capital Commitment

The Target did not have any material capital commitment as at 31 December 2012.

Charge of Assets

The Target did not have any charge on any of its assets as at 31 December 2012.

Contingent Liabilities

The Target did not have any contingent liability as at 31 December 2012.

Material Investments, Acquisitions or Disposals

The Target had not acquired or disposed of any subsidiary or affiliated company during the year under review and it did not have any significant investments held or plan for material investments or capital assets, except the establishment of the manufacturing plant, as at 31 December 2012.

Segmental Analysis

The Target had not conducted any business during the year under review and therefore no segmental analysis is presented.

Employees and Remuneration Policy

The Target had 14 employees as at 31 December 2012 and the total staff costs for the year amounted to approximately RMB687,000.

Salaries of employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the staff concerned. Remuneration packages comprised salaries and defined contribution pension fund.

FOR THE TEN MONTHS ENDED 31 OCTOBER 2013

Business Review

The Target had not conducted any business, except the preparation works for the establishment of the manufacturing plant, and therefore no revenues were generated from the business of the Target during the period under review.

During the period under review, the Target conducted the environmental assessment, land requisition and the detailed design of the manufacturing plant. As at 31 October 2013, demolition work on land with total area of approximately 1,000 mu for construction of the manufacturing plant had been completed. In December 2013, the Target obtained the approval on the environmental assessment from the relevant authority of the Guangxi Zhuang Autonomous Region.

A loss attributable to the owners of the Target of approximately RMB5.0 million, representing an increase of approximately 215.4% as compared to the loss for the corresponding period in the previous year, was recorded for the period under review as the administrative expenses for the period had increased substantially by approximately 49.7% as a result of the increase in costs of preparation works for the establishment of the manufacturing plant including the project design consulting fee and product design analysis fee.

Capital Structure, Liquidity and Financial Resources

The Target managed its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the equity balance. The Target relied principally on the equity capital provided by the shareholders to finance its business and did not have any interest-bearing bank and other borrowings. The Target's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.005 as at 31 October 2013.

Foreign Currency Risks

The business transactions of the Target conducted during the ten months ended 31 October 2013 were mainly denominated in RMB. Therefore, the Target's exposure in currency risks was considered by the management to be minimal and the Target had not used any financial instrument for hedging purposes during the period.

Capital Commitment

The Target did not have any material capital commitment as at 31 October 2013.

Charge of Assets

The Target did not have any charge on any of its assets as at 31 October 2013.

Contingent Liabilities

The Target did not have any contingent liability as at 31 October 2013.

Material Investments, Acquisitions or Disposals

The Target had not acquired or disposed of any subsidiary or affiliated company during the period under review and it did not have any significant investments held or plan for material investments or capital assets, except the establishment of the manufacturing plant, as at 31 October 2013.

Segmental Analysis

The Target had not conducted any business during the period under review and therefore no segmental analysis is presented.

Employees and Remuneration Policy

The Target had 15 employees as at 31 October 2013 and the total staff costs for the period amounted to approximately RMB883,000.

Salaries of employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the staff concerned. Remuneration packages comprised salaries and defined contribution pension fund.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were, and immediately after the issue of the Consideration Shares (assuming that save for the issue of the Consideration Shares, no new Shares will be issued from the Latest Practicable Date to the completion of the Acquisition) will be, as follows:

	Number of Shares	*HK$*
Authorized		
Shares as at the Latest Practicable Date	10,000,000,000	1,000,000,000
Issued and fully paid		
Shares in issue as at the Latest Practicable Date	1,518,103,612	151,810,361
Consideration Shares to be issued at the completion of the Acquisition	19,426,624	1,942,662
Total	1,537,530,236	153,753,023

All the existing Shares in issue are fully paid and rank pari passu in all respects including all rights as to voting, dividends and interests in capital. The Consideration Shares to be issued upon completion of the Acquisition will rank pari passu in all respects with all other Shares in issue as at the date of the completion of the Acquisition and be entitled to all dividends and other distributions the record date for which falls on or after the date of the completion of the Acquisition.

As at the Latest Practicable Date, the Company did not have any outstanding convertible debt securities.

3. INTERESTS OF DIRECTORS

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

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

Name of Director/ chief executive	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Dr. Hui Chi Ming *(Note 1)*	Interest of controlled corporation	924,139,143	60.87%
Mr. Lam Kwok Hing *(Note 2)*	Interest of controlled corporation	127,718,000	8.41%
Mr. Nam Kwok Lun *(Note 2)*	Interest of controlled corporation	127,718,000	8.41%

Notes:

(1) These Shares were registered in the name of, and beneficially owned by, Triumph Energy Group Limited, which in turn was owned as to 45.84% by Taiming Petroleum Group Limited, a company wholly-owned by Dr. Hui Chi Ming, and 37.5% by AMA Energy Group Limited, a company owned as to 69.8% by Dr. Hui Chi Ming as at the Latest Practicable Date.

(2) These Shares were registered in the name of, and beneficially owned by, J&A Investment Limited, which was beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun as at the Latest Practicable Date.

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

(b) Interests in assets

On 31 May 2013, the Group leased from Gahood Holding Company Limited, a company wholly-owned by Dr. Hui Chi Ming, the office space located at Unit 9 (portion) and Units 10–12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong for a term of two years at a monthly rent of HK$180,000.

On 22 July 2013, the Company completed the acquisition from Gloryview Holdings Limited, a company wholly-owned by Dr. Hui Chi Ming, of the entire issued share capital of Madagascar Northern Petroleum Company Limited and the shareholder's loan owed by Madagascar Northern Petroleum Company Limited to Gloryview Holdings Limited at a total consideration of HK$1.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) Interests in contracts

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

(d) Interests in competing business

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

Name of Director	Name of entity with competing business	Nature of competing business	Nature of interest
Dr. Hui Chi Ming	Hoifu Petroleum Group Limited	Oil and gas exploitation	Being a substantial shareholder and director
Dr. Hui Chi Ming	Yanchang Petroleum International Limited	Oil and gas exploitation	Being a substantial shareholder

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

(e) Directors' service contracts

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

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Triumph Energy Group Limited *(Note 1)*	Beneficial owner	924,139,143	60.87%
Taiming Petroleum Group Limited *(Note 1)*	Interest of controlled corporation	924,139,143	60.87%
AMA Energy Group Limited *(Note 1)*	Interest of controlled corporation	924,139,143	60.87%
J&A Investment Limited *(Note 2)*	Beneficial owner	127,718,000	8.41%

Notes:

(1) Triumph Energy Group Limited was owned as to 45.84% by Taiming Petroleum Group Limited, which was wholly-owned by Dr. Hui Chi Ming, 37.5% by AMA Energy Group Limited, which was 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 was 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 Latest Practicable Date. Dr. Hui Chi Ming, who is a Director, is also a director of each of Triumph Energy Group Limited, Taiming Petroleum Group Limited and AMA Energy Group Limited.

(2) J&A Investment Limited was owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun as at the Latest Practicable Date. Mr. Lam Kwok Hing and Mr. Nam Kwok Lun, who are Directors, are also directors of J&A Investment Limited.

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

5. MATERIAL LITIGATION

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

6. MATERIAL CONTRACTS

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

(a) a subscription agreement dated 2 July 2012 entered into between Triumph Energy Group Limited ("Triumph Energy") and the Company in relation to the subscription of 820,000,000 new Shares by Triumph Energy (the "Subscription");

(b) a supplemental agreement dated 23 August 2012 entered into between Triumph Energy and the Company in relation to the Subscription;

(c) a second supplemental agreement dated 31 October 2012 entered into between Triumph Energy and the Company in relation to the Subscription;

(d) a sale and purchase agreement dated 17 December 2012 entered into between Fame Achiever Holdings Limited, a wholly-owned subsidiary of the Company, China Oil Resources Group Limited and PetroAsian Energy Holdings Limited in relation to the acquisition of the entire issued share capital of China Oil Resources Company Limited by Fame Achiever Holdings Limited for a consideration of US$700,000 (the "China Oil Acquisition");

(e) a supplemental agreement dated 31 January 2013 entered into between Fame Achiever Holdings Limited, China Oil Resources Group Limited and PetroAsian Energy Holdings Limited for extending the long stop date for fulfillment of the conditions of the sale and purchase agreement dated 17 December 2012 regarding the China Oil Acquisition;

(f) a joint venture agreement dated 27 May 2013 entered into between Hoifu Petroleum International Investment Company Limited, a wholly-owned subsidiary of the Company, and 茂名市中港城環保科技有限公司 (Mao Ming City Zhong Gang Cheng Environmental Science and Technology Company Limited*) in relation to the establishment of 廣東凱富石油有限公司 (Guangdong Hoifu Petroleum Limited*) with total registered capital of RMB30 million. Guangdong Hoifu Petroleum Limited is owned as to 85% by Hoifu Petroleum International Investment Company Limited;

(g) a sale and purchase agreement dated 28 June 2013 entered into between Hoifu Group Investment Limited, a wholly-owned subsidiary of the Company, Gloryview Holdings Limited, a company wholly-owned by Dr. Hui Chi Ming, and Madagascar

Northern Petroleum Company Limited in relation to the acquisition of the entire issued share capital of Madagascar Northern Petroleum Company Limited and the shareholder's loan by Hoifu Group Investment Limited for a consideration of HK$1;

(h) a sale and purchase agreement dated 3 July 2013 entered into between 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited*), a wholly-owned subsidiary of the Company, 南寧端豐貿易有限公司 (Nanning Duanfeng Trading Co., Ltd.*), 廣西欽州泰興石油化工有限公司 (Guangxi Qinzhou Taixing Petrochemical Co., Ltd.*) and the Company in relation to the acquisition of 51% equity interest in Guangxi Qinzhou Taixing Petrochemical Co., Ltd. for a consideration of RMB102.0 million. Such agreement was terminated with effect from 16 September 2013 with mutual agreement by the parties to the agreement;

(i) a sale and purchase agreement dated 1 August 2013 entered into between Hoifu Mineral Resources Holdings Limited, a wholly-owned subsidiary of the Company, Mr. Li Rong Jia and Zhen Hua Company Limited in relation to the acquisition of 60% equity interest in Zhen Hua Company Limited and its shareholder's loan for an aggregate consideration comprising cash payment of HK$1 and an option which entitles the holder(s) to subscribe up to 30,000,000 Shares at an initial exercise price of HK$1.38 per Share;

(j) the capital injection agreement dated 30 August 2013 entered into among 廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a wholly-owned subsidiary of the Company, Mr. Ding Weier, Qinzhou Hengyuan and the Company in relation to the injection of additional capital of RMB 140.0 million (equivalent to approximately HK$177.8 million) (as amended by the supplemental agreement dated 27 November 2013) by Guangxi Hoifu Energy Limited into Qinzhou Hengyuan (the "Capital Injection");

(k) the sale and purchase agreement dated 3 September 2013 entered into among 廣西凱富石油有限公司 (Guangxi Hoifu Petroleum Limited*), a wholly-owned subsidiary of the Company, the Company, 深圳市晨曦實業有限公司 (Shenzhen Chenxi Industrial Co., Ltd.*), 廣西晨曦燃氣有限公司 (Guangxi Chenxi Gas Co., Ltd.*) and Beihai Tianxiang in relation to the acquisition of 51% equity interest in each of Guangxi Chenxi Gas Co., Ltd. and Beihai Tianxiang by Guangxi Hoifu Petroleum Limited for a total consideration of RMB280,501,103 (equivalent to approximately HK$356,236,401) (the "Chenxi and Tianxiang Acquisition");

(l) a supplemental agreement dated 30 October 2013 entered into among the parties to the capital injection agreement dated 30 August 2013 regarding the Capital Injection for extending the long stop date for fulfillment of the conditions of the capital injection agreement;

(m) a supplemental agreement dated 3 November 2013 entered into among the parties to the sale and purchase agreement dated 3 September 2013 regarding the Chenxi and Tianxiang Acquisition for extending the long stop date for fulfillment of the conditions of the sale and purchase agreement;

(n) a joint venture agreement dated 12 November 2013 entered into between Hoifu Energy International Trading Company Limited, a wholly-owned subsidiary of the Company, and Profit High International Enterprise Limited in relation to the establishment of China Yuchai Hoifu Energy International Limited with total registered capital of US$3 million. China Yuchai Hoifu Energy International Limited is owned as to 51% by Hoifu Energy International Trading Company Limited;

(o) two separate subscription agreements dated 21 November 2013 entered into between the Company and Mr. Chen Weiwen and Mr. Fan Chun Sing respectively in relation to the subscription of an aggregate of 32,000,000 new Shares by Mr. Chen Weiwen and Mr. Fan Chun Sing;

(p) the second supplemental agreement dated 27 November 2013 entered into among the parties to the capital injection agreement dated 30 August 2013 regarding the Capital Injection to amend certain terms of the capital injection agreement;

(q) the Agreement;

(r) the third supplemental agreement dated 30 December 2013 entered into among the parties to the capital injection agreement dated 30 August 2013 regarding the Capital Injection for further extension of the long stop date for fulfillment of the conditions of the capital injection agreement;

(s) the second supplemental agreement dated 30 December 2013 entered into among the parties to the sale and purchase agreement dated 3 September 2013 regarding the Chenxi and Tianxiang Acquisition for further extension of the long stop date for fulfillment of the conditions of the sale and purchase agreement;

(t) a sale and purchase agreement dated 12 January 2014 entered into among Guangxi Hoifu Energy Limited, 廣東偉經傢俱科技有限公司 (Guangdong Weijing Furniture Technology Co., Ltd.*), 上海點金實業有限公司 (Shanghai Dianjin Industrial Co., Ltd.*), 諸暨精石投資有限公司 (Zhuji Jingshi Investment Co., Ltd.*), 廣西玉柴石油化工有限公司 (Guangxi Yuchai Petrochemical Co., Ltd.*), Yuchai Machinery and the Company in relation to the acquisition of 70% equity interest in Guangxi Yuchai Petrochemical Co., Ltd. by Guangxi Hoifu Energy Limited for a total consideration of RMB98.0 million (equivalent to approximately HK$125.4 million);

(u) a supplemental agreement dated 27 January 2014 entered into among the parties to the Agreement regarding the Acquisition to amend the total consideration of the Acquisition from approximately RMB135.5 million to approximately RMB128.2 million;

(v) the fourth supplemental agreement dated 30 January 2014 entered into among the parties to the capital injection agreement dated 30 August 2013 regarding the Capital Injection for further extension of the long stop date for fulfillment of the conditions of the capital injection agreement;

(w) the third supplemental agreement dated 30 January 2014 entered into among the parties to the sale and purchase agreement dated 3 September 2013 regarding the Chenxi and Tianxiang Acquisition for further extension of the long stop date for fulfillment of the conditions of the sale and purchase agreement; and

(x) the second supplemental agreement dated 30 January 2014 entered into among the parties to the Agreement for further extension of the long stop date for fulfillment of the conditions of the Agreement.

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

7. EXPERT AND CONSENT

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

Elite	Certified Public Accountants
Akron	a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

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

(c) As at the Latest Practicable Date, neither Elite nor Akron had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) As at the Latest Practicable Date, neither Elite nor Akron had any interest, direct or indirect, in any asset which has been, since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. GENERAL

(a) The registered office and principal place of business of the Company in Hong Kong is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and Units 1910–12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong respectively.

(b) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited, which is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Fu Wing Kwok Ewing. Mr. Fu holds a bachelor degree in science, major in accounting. He is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(d) This circular and the accompanying form of proxy are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Units 1910–12, 19th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong, up to and including 14 March 2014:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the year ended 31 December 2012 and 31 December 2011;

(c) the interim report of the Company for the six months ended 30 June 2013;

(d) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 43 of this circular;

(f) the accountants' report on the Target prepared by Elite for the ten months ended 31 October 2013 and the three years ended 31 December 2012, the text of which is set out in Appendix II to this circular;

(g) the report prepared by Elite on the unaudited pro forma financial statements of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the written consents referred to in the paragraph headed "Expert and Consent" in this Appendix;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(j) this circular.