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VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

THE SPA

On 20 March 2018 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of HK\$160,000,000. The Sale Shares represent the entire issued share capital of the Target Company.

THE LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

A SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 May 2018 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting on the resolution(s) in respect of the SPA at the SGM.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Wednesday, 21 March 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Tuesday, 3 April 2018.

INTRODUCTION

On 20 March 2018 (after trading hours), the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares at the total Consideration of HK\$160,000,000. The Sale Shares represent the entire issued share capital of the Target Company.

THE SPA

Date

20 March 2018 (after trading hours)

Parties

- (i) Vendor : Hoifu Energy Holdings Limited; and
- (ii) Purchaser : Wise Turn Holdings Limited

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner, Mr. Guo Qiyang ("Mr. Guo"), are Independent Third Parties.

Assets to be disposed

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Shares and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

Consideration

Pursuant to the terms of the SPA, the Consideration of HK\$160,000,000 shall be payable in cash in the following manner:

- (1) a refundable deposit of HK\$16,000,000 (“**Deposit**”) shall be paid to the Vendor within seven days from the execution of the SPA; and
- (2) the balance of the sum of HK\$144,000,000 shall be paid to the Vendor or such party as directed by the Vendor on the Completion Date.

In the course of considering the Consideration, the Company has made reference to (i) the unaudited combined financial information of the Target Group (which comprises of HK Subsidiary A, HK Subsidiary B, Guangxi Energy, Guangdong Energy, Hebei Panbao and the Target Subsidiaries B) which recorded net liabilities of approximately HK\$13.9 million as at 31 December 2017; (ii) waiver of the amount due to ultimate holding company and fellow subsidiary(ies) of the Target Group in the sum of approximately RMB197 million as at 31 December 2017 (the “**Waiver**”); (iii) the preliminary valuation of Hebei Panbao of approximately RMB26 million (equivalent to approximately HK\$30 million) as at 31 December 2017 prepared by an independent valuer on asset based approach method (the “**Valuation**”) and (iv) the reasons and benefits of the Disposal as stated under the section headed “Reasons and Benefits of the Disposal” in this announcement. After taking into account adjustments for the Waiver and the Valuation, the adjusted combined net asset value of the Target Group (excluding minority interests) as at 31 December 2017 was approximately HK\$154.4 million (the “**Adjusted NAV**”), which mainly comprised of (i) the Target Group’s 55% equity interest in Hebei Panbao as indicated by 55% of the Valuation; and (ii) the aggregate adjusted net book value (excluding minority interests) of members of the Target Group (excluding Hebei Panbao). The Adjusted NAV is arrived at as follows:

	<i>HK\$ million</i>
Combined net liabilities of the Target Group as at 31 December 2017	(13.9)
Downward fair value adjustment of fixed assets of Hebei Panbao	(11.3)
Waiver from ultimate holding company and fellow subsidiary(ies)	<u>197.3</u>
	172.1
Non-controlling interest of Guangdong Petroleum	(4.2)
Non-controlling interest of Hebei Panbao	<u>(13.5)</u>
Adjusted NAV as at 31 December 2017	<u><u>154.4</u></u>

Upon considering the aforesaid information, the Board considers that Guangxi Energy, Guangdong Energy, Hebei Panbao and the Target Subsidiaries B are the operating entities of the Target Group.

The Consideration represents a premium over the Adjusted NAV and was determined after arm's length negotiation between the Company and the Purchaser.

In view of the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As at the date of this announcement, the Deposit has been received.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent:–

- (i) the passing by the Shareholders at the SGM of an ordinary resolution approving the SPA and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (ii) the Purchaser have reasonably satisfied with the results of the due diligence investigation in the Target Group.

If the above conditions have not been fulfilled (or waived, as the case may be) on or before the Long Stop Date, the SPA shall become void and of no further effect, and all obligations and liabilities of the parties thereunder shall forthwith cease and determine (save for any antecedent breaches). In such circumstance, the Vendor should return the Deposit to the Purchaser within three days after the Long Stop Date.

Completion

Upon fulfilment (or waiver) of all the conditions set out in the conditions precedent above, Completion shall take place on the Completion Date, or such other date as the Vendor and the Purchaser may agree.

Upon Completion, the Company will cease to hold any interest in the Target Company and the results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company is a limited liability company incorporated under the laws of the British Virgin Islands which is indirectly wholly-owned by the Company through the Vendor. Its principal business is investment holding. The Target Company held the entire issued share capital of HK Subsidiary A and HK Subsidiary B.

HK Subsidiary A is a limited liability company incorporated in Hong Kong and is the intermediate holding company of Target Subsidiaries A as at the date of this announcement and immediately before Completion. Its principal business is investment holding.

Guangdong Energy is a limited liability company established under the laws of the PRC and its principal business is investment holding. Guangdong Energy held 55% equity interest in Hebei Panbao.

Guangxi Energy is a limited liability company established under the laws of the PRC with principal business of trading in chemical materials.

Guangzhou Energy is a limited liability company established under the laws of the PRC and its principal business is trading in chemical materials.

Shenzhen Energy is a limited liability company established under the laws of the PRC and its principal business is trading in chemical materials.

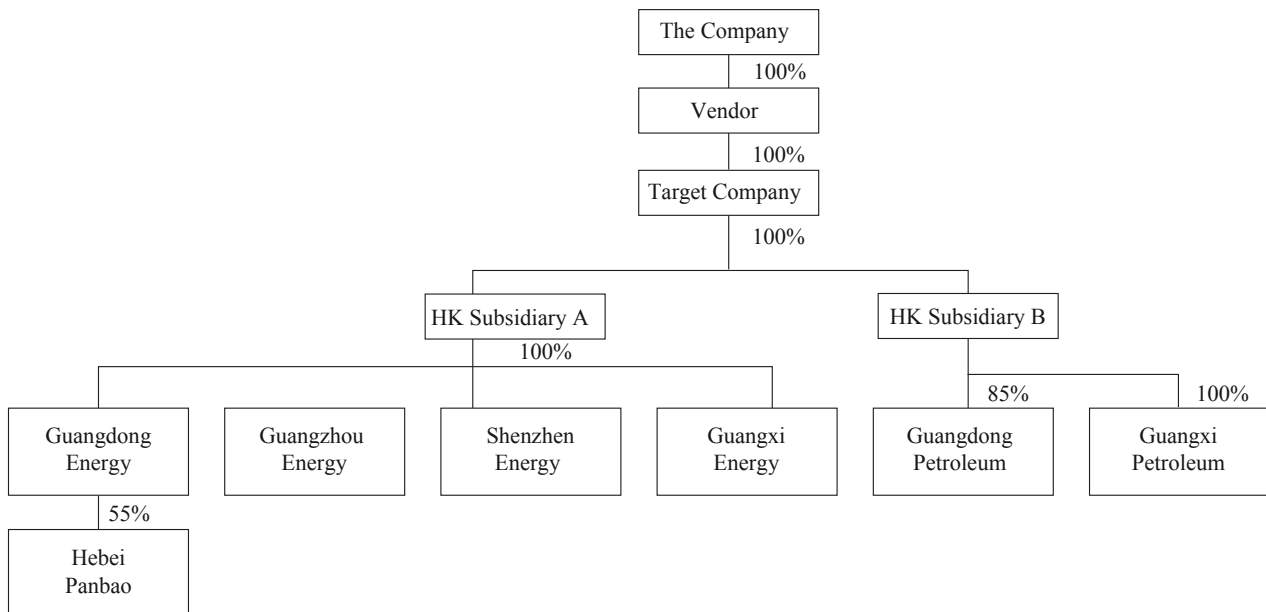
Hebei Panbao is a limited liability company established under the laws of the PRC. Its principal activities are mining and production of zeolite, which is the main raw material for the production of lightweight orthopedics materials, far infrared materials, large solar energy storage materials, building materials, catalytic materials and micro and nano materials, and related products. Hebei Panbao has obtained the mining license of zeolite from the Bureau of Land and Resources of Zhangjiakou Municipal valid until 15 May 2022 in a zeolite mine located in Chicheng County, Zhangjiakou City, Hebei Province, the PRC with a total area of approximately 0.135 square kilometers and mining depth ranged between 1,450 meters and 1,300 meters.

HK Subsidiary B is a limited liability company incorporated in Hong Kong and is the intermediate holding company of the Guangxi Petroleum and held 85% equity interest in Guangdong Petroleum as at the date of this announcement and immediately before Completion. Its principal business is investment holding.

Guangdong Petroleum is a limited liability company established under the laws of the PRC and its principal business is trading of natural resources.

Guangxi Petroleum is a limited liability company established under the laws of PRC and its principal business is trading of natural resources.

Set out below is the shareholding structure of the Target Group and the Company immediately before Completion:



Financial information of the Target Group

Set out below are the unaudited consolidated financial information of HK Subsidiary A as prepared in accordance with Hong Kong Accounting Standards for the two financial years ended 31 December 2015 and 2016:

	For the year ended 31 December 2015 <i>approximate</i> HK\$'000 (unaudited)	For the year ended 31 December 2016 <i>approximate</i> HK\$'000 (unaudited)
Turnover	133,667	105,240
Net profit before taxation	58,363	53,814
Net profit after taxation	51,884	45,759

According to the unaudited consolidated financial information of HK Subsidiary A as at 31 December 2016, HK Subsidiary A recorded an unaudited net assets of approximately HK\$122,174,000.

Set out below are the unaudited consolidated financial information of HK Subsidiary B as prepared in accordance with Hong Kong Accounting Standards for the two financial years ended 31 December 2015 and 2016:

	For the year ended 31 December 2015 <i>approximate</i> <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2016 <i>approximate</i> <i>HK\$'000</i> (unaudited)
Turnover	0	0
Net (loss) before taxation	(45,019)	(3,675)
Net (loss) after taxation	(45,019)	(3,675)

According to the unaudited consolidated financial information of HK Subsidiary B as at 31 December 2016, HK Subsidiary B recorded an unaudited net assets of approximately HK\$8,777,000.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Company will cease to hold any interest in the Target Company and the results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

For illustrative purpose, upon Completion, it is estimated that the Company will realise an unaudited gain on the Disposal of approximately HK\$3.6 million, being the difference between the Consideration of HK\$160 million and the unaudited Adjusted NAV of the Target Group of approximately HK\$154.4 million as at 31 December 2017 and deducting the expenses attributable to the Disposal of approximately HK\$2 million. The estimated gain to be derived from the Disposal has not taken into account the potential tax impact upon Completion of the Disposal.

It is currently intended that the net proceeds will be applied as general working capital of the Group.

REASONS AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in financial operation business, real estate project investment, development and operations; investment property and hotel operations; oil, gas and mineral exploration and mining operations; mining and production of zeolite; and international trading business.

The acquisition of Hebei Panbao was completed in early 2015 which enable the Group to tap into the mining and production of zeolite in the PRC with a view to enrich the mineral resources portfolio and broaden the income source of the Group. The revenue generated from Hebei Panbao was stable since then. However, as disclosed in the 2017 interim report of the Company, the revenue generated from Hebei Panbao has significantly decreased by 61.7% to approximately HK\$28.7 million for the six months ended 30 June 2017 from HK\$75 million for the six months ended 30 June 2016 due to Hebei Panbao underwent a major transition following the sale by Ms. Zhang Ling (“**Ms. Zhang**”), who held 45% equity interests in Hebei Panbao and the contracting right, of the 45% equity interests of Hebei Panbao held by her to Hoifu United Group Limited (凱富聯合集團有限公司) (“**HUGL**”), an Independent Third Party before the transaction, in September 2016. According to the agreement (as supplemented by the supplemental agreement(s)) regarding the aforesaid sale of 45% equity interests of Hebei Panbao (the “**Agreement**”), HUGL shall pay an introduction fee and guaranteed profit to the Group and Hebei Panbao upon completion and on or before the agreed schedule. Except for partial payment of the introduction fee which is amounting to HK\$30 million, HUGL failed to fulfil its payment obligations under the Agreement and legal actions have been taken by the Group on 8 November 2017 claiming for, among others, (i) the payment of the relevant guaranteed profit; (ii) interests on the said sum; and (iii) costs (the “**Legal Actions**”).

As disclosed in the announcement of the Company dated 23 January 2018, as advised by Ms. Zhang, the transfer of 45% equity interests in Hebei Panbao to Kaifu Chuangtong United Holdings Group Limited* (凱富創通聯合控股集團有限公司) (“**Kaifu Chuangtong**”), which was designated by HUGL, has been completed in accordance with the Agreement in March 2017. Following which, Ms. Zhang only received RMB69 million of the agreed payment of the equity interest transaction, and has not received the remaining agreed payment of the equity interest transfer of RMB131 million. After several failed attempts to collect the remaining payment, Ms. Zhang has initiated litigation procedures to claim against (1)

HUGL and its guarantors, namely Mr. Weng Tao (翁濤) and Mr. Ji Hailin (嵇海林) and (2) Kaifu Chuangtong and its shareholders and directors, namely Mr. Weng Tao (翁濤) and Mr. Ji Hailin (嵇海林), at the Zhangjiakou Intermediate People's Court of Hebei Province. According to the litigation procedures and the court order, the arbitration and negotiation in relation to the treatment of the agreed payment of equity interest transaction and the termination of the equity transfer agreement, as well as the demand for responsibility of both parties such as the restoration of the equity interests, are in progress by the representatives of both parties. In the event that the representatives of both parties fail to reach a consensus within the timeframe for arbitration as designated by the court, trial will proceed before the court and a judgement will be made according to the laws. As such, it is anticipated that the overall performance of Hebei Panbao might be adversely affected.

Save as disclosed above, as at the date of this announcement, the Group has not yet received any payment from Hebei Panbao. As advised by the legal advisor of the Group, there will be no impact on the Legal Actions upon completion of the Disposal. The Company anticipated that such issue might not be settled in the near future. In view of the uncertain prospect of Hebei Panbao, the Directors consider that the Disposal represents a good opportunity for the Group to realise its investment and for better utilization of the Group's resources, in particular the Group would like to seek to expand its business into real estate project investment, development and operation business.

As disclosed in the 2015 interim report of the Company, no revenue was noted from the business segment of sales of natural resources and petrochemicals for the six months ended 30 June 2015 due to slowing down of China's economy and weak demand for the Group's main products, such as coals. Each of Guangdong Energy, Guangxi Energy, and the Target Subsidiaries B only maintain minimal operations and did not record any revenue since then. The principal assets of the aforesaid companies are mainly the account receivables. The Group considers that the Disposal enable the Group to realise its investment in the aforesaid companies and enhance the cash flow of the Group.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Guo has no relationship (business or otherwise) with Ms. Zhang, HUGL and its associates, Mr. Weng Tao (翁濤) and Mr. Ji Hailin (嵇海林) as at the date of this announcement.

In view of the above, the Directors are of the view that the terms of the Disposal are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

THE LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are 75% or more, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

A SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the SPA and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the SGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 31 May 2018 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the SPA and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting on the resolution(s) in respect of the SPA at the SGM.

Completion is conditional upon the satisfaction of the conditions set out in the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on Wednesday, 21 March 2018 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on Tuesday, 3 April 2018.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“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
“Completion”	the completion of the Disposal
“Completion Date”	shall be the date upon the fulfillment or waiver of the conditions as set out in the SPA or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in the sum of HK\$160,000,000 payable by the Purchaser to the Vendor for the Disposal under the SPA
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the SPA
“Group”	the Company and its subsidiaries
“Guangdong Energy”	廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company

“Guangdong Petroleum”	廣東凱富石油有限公司 (Guangdong Hoifu Petroleum Limited*), a limited liability company established under the laws of the PRC and is indirect owned as to 85% by the Company
“Guangzhou Energy”	廣州凱富能源有限公司 (Guangzhou Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
“Guangxi Energy”	廣西凱富能源有限公司 (Guangxi Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
“Guangxi Petroleum”	廣西凱富石油有限公司 (Guangxi Hoifu Petroleum Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
“Hebei Panbao”	河北攀寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.*), a limited liability company established under the laws of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK Subsidiary A”	Hoifu Energy International Investment Company Limited, a company incorporated in Hong Kong with limited liability and is indirect wholly-owned by the Company

“HK Subsidiary B”	Hoifu Petroleum International Investment Company Limited, a company incorporated in Hong Kong with limited liability and is indirect wholly-owned by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2018 or such other date as the Vendor and the Purchaser may agree in writing
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser”	Wise Turn Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	100 issued shares of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“SGM”	the special general meeting to be convened by the Company for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder

“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Hoifu”	深圳凱富能源有限公司 (Shenzhen Hoifu Energy Limited*), a limited liability company established under the laws of the PRC and is indirect wholly-owned by the Company
“SPA”	the conditional sale and purchase agreement dated 20 March 2018 and entered into by the Vendor and the Purchaser in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Swan Moment Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Vendor as at the date of this announcement and an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company, the Target Subsidiaries A and the Target Subsidiaries B
“Target Subsidiaries A”	collectively, Guangdong Energy, Guangzhou Energy, Guangxi Energy, Shenzhen Energy and Hebei Panbao, being indirect subsidiaries of the Company as at the date of this announcement
“Target Subsidiaries B”	collectively, Guangdong Petroleum and Guangxi Petroleum, being indirect subsidiaries of the Company as at the date of this announcement

“Vendor” Hoifu Energy Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of the Company

“%” per cent.

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

Hong Kong, 29 March 2018

As at the date of this announcement, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises eight executive Directors, namely, Dr. Hui Chi Ming, G.B.S., J.P., Mr. Neil Bush, Dr. Chui Say Hoe, Mr. Xu Jun Jia, Mr. Cao Yu, Mr. Ren Qian, Mr. Lam Kwok Hing, M.H., J.P., and Mr. Nam Kwok Lun; and four independent non-executive Directors, namely, Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan, Mr. Ng Chi Kin, David and Mr. Yim Kai Pung.

* *For identification purpose only*