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**VOLUNTARY ANNOUNCEMENT IN RELATION TO  
THE ACQUISITION OF 60% EQUITY INTEREST IN  
ZHEN HUA COMPANY LIMITED**

**THE ACQUISITION**

On 1 August 2013 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with, among others, the Vendor for the acquisition of the Sale Shares, which represent 60% equity interest in the Target, and the Sale Loan for a consideration comprising cash payment of HK\$1 and the Option, which entitles the holder(s) to subscribe up to 30,000,000 Option Shares at an initial exercise price of HK\$1.38 per Option Share. The Target owns 100% interest in Kenya Mine 253 and Kenya Mine 341.

**LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are less than 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

This announcement is disclosed by the Company voluntarily for the purpose of keeping the potential investors and Shareholders informed of the latest business development of the Group.

The Board is pleased to announce that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with, among others, the Vendor on 1 August 2013 (after trading hours) to acquire the Sale Shares and the Sale Loan. Details of the Acquisition are set out as follows:

## **THE ACQUISITION AGREEMENT**

### **Date**

1 August 2013

### **Parties to the agreement**

**Purchaser:** Hoifu Mineral Resources Holdings Limited, a company incorporated in the British Virgin Islands with limited liabilities and is wholly-owned by the Company.

**Vendor:** Mr. Li Rong Jia, who held 650 ordinary shares of KES100 each in the issued share capital of the Target, which represent 65% of the equity interest of the Target, as at the date of the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of the Company and connected persons of the Company.

**Target:** Zhen Hua Company Limited, a company incorporated in Kenya with limited liability.

### **Assets to be acquired**

The assets to be acquired under the Acquisition Agreement are the Sale Shares, which represent 60% equity interest in the issued share capital of the Target, and the Sale Loan.

### **Consideration**

The consideration for the Acquisition comprises a cash consideration of HK\$1 and the Option, which entitles the holder(s) to subscribe up to 30,000,000 Option Shares at the initial exercise price of HK\$1.38. The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor, taking into account the development potential and uncertainties of Kenya Mine 253 and Kenya Mine 341, which are the major assets of the Target.

## Principal terms of the Option

The principal terms of the Option, which were negotiated on an arm's length basis between the Vendor and the Purchaser, are summarized below:

- Issuer: the Company
- Expiry date: the date falling six months after the date of completion of the Acquisition
- Option right: the Option will entitle the holder to subscribe up to 30,000,000 Option Shares at the exercise price during the exercise period.
- Exercise period: the period commencing on the date of completion of the Acquisition up to and including the expiry date of the Option
- Exercise price: The initial exercise price is HK\$1.38 per Option Share, subject to adjustments in accordance with the terms and conditions of the Option. Events triggering adjustments in exercise price include share consolidation, share subdivision, share reclassification, capitalization of profits or reserves, capital distribution, rights issue, open offer and equity or equity derivatives issues. No adjustment involving an increase in the exercise price will be made, other than in the case of share consolidation or share reclassification.
- The initial exercise price of HK\$1.38 per Option Share under the Option represents (i) a premium of approximately 26.6% over the closing price of HK\$1.090 per Share as quoted on the Stock Exchange on the date of the Acquisition Agreement; (ii) a premium of approximately 25.9% over the average closing price of HK\$1.096 per Share for the last five trading days immediately prior to and including the date of the Acquisition Agreement; and (iii) a premium of approximately 24.9% over the average closing price of HK\$1.105 per Share for the last ten trading days immediately prior to and including the date of the Acquisition Agreement. The initial exercise price of the Option was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the trading price of the Shares during the period of negotiation.
- Option Shares: The Option Shares will rank pari passu in all respects with all other Shares in issue on the relevant exercise date and will entitle the holder(s) to all dividends, and other distributions, rights or entitlements the record date for which falls after the relevant exercise date.

Assuming that the Option is fully exercised, a total of 30,000,000 Option Shares will be issued, which represent approximately 2.06% of the existing issued share capital of the Company and approximately 2.02% of the issued share capital of the Company as enlarged by the issue of the Option Shares upon full exercise of the Option.

The Option 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 under the general mandate is 291,368,722 Shares. Such general mandate has not been utilized as at the date of this announcement. Application will be made by the Company for the listing of, and permission to deal in, the Option Shares on the Stock Exchange.

### **Conditions precedent**

Completion of the Acquisition is conditional upon, inter alia:

- (a) the passing of the relevant resolutions at the meeting of the board of directors of the Company and the Purchaser for approving the transactions contemplated under the Acquisition Agreement;
- (b) the Purchaser being satisfied with the results of the financial and legal due diligence on the Target; and
- (c) all necessary confirmations, waivers, consents and approvals from any third party (including, but not limited to, any government organization, stock exchange and other relevant authority in Hong Kong, Kenya or the British Virgin Islands) for the Acquisition Agreement and the transactions contemplated thereunder (if any) having been granted and not being withdrawn or revoked. In the event that the consents being granted are subject to any condition and such condition affects any party to the Acquisition Agreement, such condition having been accepted by the relevant parties.

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

### **Board composition of the Target**

Upon completion of the Acquisition, the board of directors of the Target will comprise five members, three of which will be nominated by the Purchaser while another two members will be nominated by the existing shareholders of the Target.

## **INFORMATION ON THE TARGET**

The Target is a company incorporated in Kenya with limited liability on 5 October 2005 and is principally engaged in the exploration, exploitation and production of minerals. It owns 100% interest in the rights granted under the Licence 253 in respect of Kenya Mine 253, an area of approximately 1,056 square kilometers situated in Kitui District Eastern Province, Kenya, and the Licence 341 in respect of Kenya Mine 341, an area of approximately 417 square kilometers situated in Nandi County, Kenya. As at the date of the Acquisition Agreement, the Target was owned as to 65% by the Vendor and 35% by several local people in Kenya, who are third parties independent of the Company and connected persons of the Company.

### **Kenya Mine 253 and Kenya Mine 341**

On 15 April 2011, the Commissioner granted the Licence 253 to the Target. Pursuant to the Licence 253 and relevant provisions of the Mining Act of Kenya, the Target is authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 for a term of one year from 15 April 2011, subject to approval by the Commissioner for renewal. The Licence 253 has been renewed annually by the Target and the latest expiry date is 14 April 2014.

On 3 January 2013, the Commissioner granted the Licence 341 to the Target for prospecting and exploration of gold, iron ore and non-precious minerals in Kenya Mine 341 for a term of two years from 3 January 2013, subject to approval by the Commissioner for renewal.

Pursuant to the Licence 253 and the Licence 341, the Target is required to carry out an exploration programme in Kenya Mine 253 and Kenya Mine 341 and the annual minimum expenditure obligation on systematic prospecting and exploration under each of the Licence 253 and the Licence 341 is KES1 million (equivalent to approximately HK\$88,898). A performance bond is required to be executed by the Target in favour of the Commissioner in an amount equal to the first year's expenditure for the due performance of the work programme and the minimum expenditure obligation as to 10% by depositing with the Commissioner in cash and the remaining 90% by providing a written undertaking from the Target guaranteed by a local bank or an international bank or insurance company operating in Kenya.

Pursuant to the terms of the licenses, the Target has to reduce the area of its holdings in Kenya Mine 253 and Kenya Mine 341 by 50% at each anniversary of the Licence 253 and the Licence 341 respectively or to make cash payments to the Commissioner in lieu of reduction of up to four times the annual fee every time reduction is not effected and to spend a sum on the exploration programme at least equal to two times of the expenditure of the previous twelve-month period.

Under the Licence 253 and the Licence 341, the Target shall also pay an annual fee of KES250 per square kilometer to the Commissioner, subject to a minimum of KES10,000. The annual fee of Kenya Mine 253 and Kenya Mine 341 is KES264,000 (equivalent to approximately HK\$23,469) and KES104,250 (equivalent to approximately HK\$9,268) respectively. In the event that the Target having observed all its obligations under the Licence 253 and the Licence 341 respectively, the Target shall be entitled to the grant of a mining right for a period not exceeding twenty-one years.

According to the Vendor, the Target has fulfilled its past responsibilities and obligations stipulated under the Licence 253 granted by the Kenya Government and already commenced the exploration and mining related works in Kenya Mine 253 and Kenya Mine 341. After the implementation of the exploration works organized by the Target, it was discovered that there is a large volume of ore zone in Kenya Mine 253 which has a promising copper content. The Target has obtained certain ore from Kenya Mine 253 and such ore has a copper content of 5.29%. The Target has already sold 60 tons of the ore to a corporation in China.

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$</i>	<i>HK\$</i>
Turnover	87,500	—
Net loss before taxation	33,026	126,563
Net loss after taxation	33,026	126,563
		<b>As at</b>
		<b>31 December</b>
		<b>2012</b>
		<i>HK\$</i>
Net liabilities		150,339

## **REASONS FOR THE ACQUISITION**

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

The Directors consider that the Acquisition shall enable the Group to further expand its scope of business in the natural resources sector and enhance the future natural resources reserves of the Group. The Board considers that the terms of the Acquisition Agreement are fair and reasonable and the entering into of the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the date of this announcement		Upon exercise of the Option in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Triumph Energy Group Limited <sup>(Note 1)</sup>	785,139,143	53.89	785,139,143	52.81
Simply Superb Holdings Limited <sup>(Note 2)</sup>	175,000,000	12.01	175,000,000	11.77
J&A Investment Limited <sup>(Note 3)</sup>	128,718,000	8.84	128,718,000	8.66
The Vendor	—	—	30,000,000	2.02
Other public Shareholders	<u>367,986,469</u>	<u>25.26</u>	<u>367,986,469</u>	<u>24.74</u>
	<u>1,456,843,612</u>	<u>100.00</u>	<u>1,486,843,612</u>	<u>100.00</u>

### Notes:

1. Triumph Energy Group Limited is owned as to 55% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, and 45% by AMA Energy Group Limited, which is owned as to 91.5% by Mr. Neil Bush, a Director and 8.5% by Mr. Wang Xinqing.
2. Simply Superb Holdings Limited is wholly-owned by Mr. Zhao Ying.
3. J&A Investment Limited is owned as to 80% by Mr. Lam Kwok Hing, a Director, and 20% by Mr. Nam Kwok Lun, a Director.

## GENERAL

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules are less than 5%, the Acquisition does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. This announcement is disclosed by the Company voluntarily for the purpose of keeping the potential investors and Shareholders informed of the latest business development of the Group.



## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan by the Purchaser in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 1 August 2013 entered into between the Purchaser, the Vendor and the Target in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commissioner”	the Commissioner of Mines and Geology in the Government of the Republic of Kenya
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kenya Mine 253”	the land with an area of approximately 1,056 square kilometers which is situated in Kitui District Eastern Province, Kenya
“Kenya Mine 341”	the land with an area of approximately 417 square kilometers which is situated in Nandi County, Kenya
“KES”	Kenyan Shilling, the lawful currency of Kenya
“Licence 253”	the exclusive prospecting licence entitling the holder the full and exclusive right, liberty and licence to prospect and explore for industrial minerals lying and being in or under Kenya Mine 253 for a term of one year from 15 April 2011, subject to approval by the Commissioner for renewal



“Licence 341”	the exclusive prospecting licence entitling the holder the full and exclusive right, liberty and licence to prospect and explore for gold, iron ore and non-precious minerals lying and being in or under Kenya Mine 341 for a term of two year from 3 January 2013, subject to approval by the Commissioner for renewal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option to subscribe up to 30,000,000 Shares with an initial exercise price of HK\$1.38 per Option Share to be issued by the Company, as part of the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Option Share(s)”	new Share(s) to be issued by the Company upon exercise of the subscription right under the Option
“Purchaser”	Hoifu Mineral Resources Holdings Limited, a company incorporated in the British Virgin Island with limited liability and is wholly-owned by the Company
“Sale Loan”	the total amount of shareholder’s loan owing by the Target to the Vendor as at the date of completion of the Acquisition
“Sale Shares”	600 ordinary shares of KES100 each in the issued share capital of the Target, representing 60% equity interest in the Target
“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”	Zhen Hua Company Limited, a company incorporated in Kenya with limited liability

“Vendor”

Mr. Li Rong Jia, who held 650 ordinary shares of KES100 each in the issued share capital of the Target as at the date of the Acquisition Agreement

“%”

per cent

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

Hong Kong, 2 August 2013

*For the purpose of this announcement, unless otherwise indicated, conversion of KES into HK\$ is calculated at the exchange rate of KES11.2489 to HK\$1. The exchange rate is for illustration purpose only and does not constitute a representation that any amount has been, could has been, or may be exchanged at this or any other rate at all.*

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