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 to be taken, you should consult your stockbroker or other registered dealer 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, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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 THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE

Financial adviser to the Company

中毅資本有限公司

Grand Moore Capital Limited

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

Donvex 富域資本

Donvex Capital Limited

富域資本有限公司

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out from pages 19 to 39 of this circular.

A notice convening the special general meeting of the Company (the "SGM") to be held at 3:00 p.m. on Friday, 18 November 2016 at Units 1910–1912, 19th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong, is set out on pages 97 to 98 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

20 October 2016

CONTENTS

Page

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

"Acquisition"	the acquisition of the entire issued share capital of the Target Company by the Purchaser in accordance with the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 13 June 2016 entered into between the Company, the Purchaser and the Vendor in relation to the Acquisition
"Announcement"	the announcement of the Company dated 13 June 2016 in relation to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the Board of Directors
"BVI"	British Virgin Islands
"Company"	Hoifu Energy Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion Date"	the date on which the Acquisition of the Target Group is final
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB433,350,750 (equivalent to approximately HK$515,893,750), being the consideration of the Acquisition
"Consideration Shares"	912,739,880 Shares (subject to adjustment) to be issued by the Company, as the consideration for the Acquisition, to the Vendors in accordance with the terms and conditions of the Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Dr. Hui"	Dr. Hui Chi Ming, chairman of the Board, an executive Director and a controlling shareholder of the Company
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Acquisition
"Independent Shareholder(s)"	Shareholders other than Dr. Hui and his associates who are interested in the Acquisition
"Issue Price"	the issue price of HK$0.50 per Consideration Share
"Last Trading Day"	13 June 2016, being the last trading day of the Shares on the Stock Exchange before the publication of the Announcement
"Latest Practicable Date"	17 October 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 July 2016, or such other date as may be agreed by the Company, the Purchaser and the Vendor in writing
"PRC"	the People's Republic of China
"Property"	the 1st and 2nd floor of the commercial podium of Block 2 (with an area of approximately 1,323.61 sq.m.) and the car park and storage rooms at the basement of Block 1 to Block 6 (with an area of approximately 15,036.42 sq.m.) at the Rong Ning Yuan Community of No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC
"Purchaser"	Hoifu Energy Holdings Limited (凱富能源控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Refundable Deposit"	RMB50 million (equivalent to approximately HK$59,523,810)
"RMB"	Renminbi, the lawful currency of the PRC
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the Agreement and the transactions contemplated thereunder
"SFO"	Securities and Futures Ordinance (Chapter 57, of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Millhaven Holdings Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company, GSHL, 廣東德凱 and 北京盈和
"Valuation"	the valuation on the Target Group evaluated by an independent valuer
"Vendor"	Golden Nova Holdings Limited, a company incorporated in the BVI with limited liability
"%"	per cent

In this circular, save as otherwise stated, figures in HK$ are translated to RMB at the exchange rate of HK$1 = RMB0.84 for illustration purposes only. No representation is made that any amount in RMB or HK$ would have been or can be converted at the above rate.

Hoifu Energy Group Limited
凱富能源集團有限公司

(incorporated in Bermuda with limited liability)
(Stock Code: 7)

Directors:

Executive Directors:
Dr. Hui Chi Ming, G.B.S., J.P *(Chairman)*
Mr. Neil Bush *(Deputy Chairman)*
Dr. Chui Say Hoe *(Managing Director)*
Mr. Xu Jun Jia
Mr. Cao Yu
Mr. Lam Kwok Hing
Mr. Nam Kwok Lun

Independent Non-Executive Directors:
Mr. Chen Wei-Ming, Eric
Mr. Kwan Wang Wai, Alan
Mr. Ng Chi Kin, David

Head Office and principal place of business:
Units 1910–12, 19th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

20 October 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement.

On 13 June 2016 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company together with its interest in relating to the Target Group's property of the commercial podium, basement storage rooms and carpark premises, and its relevant rental income at the consideration of RMB433,350,750 (equivalent to approximately HK$515,893,750), which will be satisfied by as to (i) RMB50 million (equivalent to approximately HK$59,523,810) in cash as refundable deposit; and (ii) RMB383,350,750 (equivalent to approximately HK$456,369,940) by the issue of 912,739,880 (subject to adjustment) Shares as consideration shares at the issue price of HK$0.50 per Consideration Share by the Company to the Vendor.

THE SALE AND PURCHASE AGREEMENT

Date	:	13 June 2016

Parties

Issuer	:	the Company
Purchaser	:	Hoifu Energy Holdings Limited (凱富能源控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
Vendor	:	Golden Nova Holdings Limited, a company incorporated in the BVI with limited liability

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company together with its interest in relating to the Target Group's property of the commercial podium, basement storage rooms and carpark premises, and its relevant rental income. The original acquisition cost of the entire equity interest in the Target Company to the Vendor is RMB433,350,750, being the capital contribution made by the Vendor.

Consideration:

Pursuant to the terms of the Agreement, the Consideration of RMB433,350,750 (equivalent to approximately HK$515,893,750) shall be satisfied by the Purchaser to the Vendor in the following manner:

(a) RMB50 million (equivalent to approximately HK$59,523,810) shall be payable to the Vendor's designated bank account in cash as refundable deposit (the "Refundable Deposit") upon signing of the Agreement; and

(b) RMB383,350,750 (equivalent to approximately HK$456,369,940) shall be payable to the Vendor and satisfied by procuring the Company to issue and allot 912,739,880 Consideration Shares (subject to adjustment) within 14 days after all the conditions precedent have been fulfilled or satisfied by the Purchaser and the Vendor.

Further details of the Consideration Shares are set out in the section headed "Consideration Shares" below.

Adjustment on the consideration

The Consideration is subject to the following adjustments with reference to the valuation on the Target Group as at 31 August 2016 to be performed by an independent valuer appointed by the Purchaser and the Company (the "Valuation"):

(a) if the Valuation is not less than RMB433,350,750 (equivalent to approximately HK$515,893,750), no adjustment will be made to the Consideration and the Consideration will be RMB433,350,750 (equivalent to approximately HK$515,893,750); and

(b) if the Valuation is less than RMB433,350,750 (equivalent to approximately HK$515,893,750), there shall be deducted from the Consideration an amount equal to such shortfall amount, and the Vendor shall receive, instead of 912,739,880 Consideration Shares, such adjusted number of new Shares (the "Adjusted Consideration Shares") which shall be calculated as follows:

   Adjusted Consideration Shares = 912,739,880 Consideration Shares – Reduced Shares, whereas:

   Reduced Shares = (RMB433,350,750 – Valuation)/Issue Price

Pursuant to the valuation report in Appendix V to this circular, the valuation amount of the Property as at 31 August 2016 was RMB401,000,000. The Consideration for the Acquisition of RMB433,350,750 (equivalent to approximately HK$515,893,750) will be reduced to RMB401,000,000 (equivalent to approximately HK$477,380,952), with an excess of the Consideration of RMB32,350,750 (equivalent to approximately HK$38,512,798).

For illustrative purposes only, such excess of the Consideration of RMB32,350,750 (equivalent to approximately HK$38,512,798) will result in a reduction of 77,025,596 Consideration Shares being adjusted to 835,714,284 Consideration Shares. However, the actual number of Reduced Shares depends on the HK$/RMB foreign exchange rate to be agreed on the Completion Date.

For the avoidance of doubt, the number of Reduced Shares shall be rounded to the nearest integer.

Basis of the Consideration

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor, with reference to the valuation of the Property carried out by the independent valuer which conducted that the recent market value of the Property is approximately RMB433,350,750.

The Board considers that the Consideration is based on normal commercial terms, maximises Shareholders' benefit and is fair and reasonable for the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Acquisition is conditional upon, inter alia:

(i) the Board of the Directors and the Shareholders (if required) of the Purchaser and the Vendor having approved the Acquisition;

(ii) the passing of the relevant resolution(s) at the SGM by the Independent Shareholders for approving the Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares);

(iii) having obtained relevant approval from the Stock Exchange and complying with relevant disclosure requirements in respect of the Acquisition;

(iv) the Purchaser being satisfied with the result of the valuation on the Target Group and the Property to be made by an independent valuer appointed by the Company and the Purchaser, and shall ensure the valuation to be completed on or before 10 July 2016;

(v) the Purchaser being satisfied with the results of the financial and legal due diligence on the Target Group to be carried out by an independent auditor and legal advisor appointed by the Purchaser, and all parties shall ensure the due diligence works to be completed on or before 10 July 2016;

(vi) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;

(vii) the Vendor having provided relevant documents to the Company and the Purchaser in relation to the Target Group such as the business registration licences, constitution documents, recent annual audited financial statements, valuation reports, property building certificates and land use rights (if required), and documents issued and approved by the government authorities; and

(viii) the Vendor shall ensure that the Purchaser owns the equity interest in the Target Company which has been transferred to the Purchaser or its nominees on or before the Long Stop Date.

If the Company and/or the Purchaser fail due to the non-satisfaction of the conditions precedent on the Long Stop Date (otherwise than due to the default of the Vendor or due to the non-satisfaction of the conditions precedent on the Long Stop Date), then the Vendor shall be entitled to (a) take any action against the Company and/or the Purchaser for damages and/or for specific performance of the Agreement; or (b) rescind the Agreement, the Vendor shall forfeit the Refundable Deposit as liquidated damages, and the Vendor shall claim against the Company and/or the Purchaser for any commercial loss.

If the Vendor fails due to the non-satisfaction of the conditions precedent on the Long Stop Date (otherwise than due to the default of the Company and/or the Purchaser or due to the non-satisfaction of the conditions precedent on the Long Stop Date), then the Company and/or the Purchaser shall be entitled to (a) take any action against the Vendor for damages and/or for specific performance of the Agreement; or (b) proceed to Completion so far as practicable (without prejudice to their rights under the Agreement).

None of the conditions precedent set out above can be waived by any party under the Agreement.

Up to the Latest Practicable Date, the above conditions precedent (iv), (v) and (vii) had been fulfilled. The Purchaser and the Vendor have no intention to waive any of the above conditions precedent.

Completion

Completion shall take place on or before the Long Stop Date on which all the conditions precedent of the Acquisition having been satisfied. If the conditions shall not have been fulfilled (or waived) on the Long Stop Date or such later date as the parties to the Agreement may agree in writing.

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Group and financial results of the Target Group will be consolidated into the accounts of the Group.

Consideration Shares

The Consideration Shares are to be issued by the Company under specific mandate to be sought for approval from the Shareholders at the SGM. The Consideration Shares will be allotted and issued at the issue price of HK$0.50 each, which represents:

(i) a discount of approximately 1.96% to the closing price of HK$0.51 per Share as quoted on the Stock Exchange on the date of the Last Trading Day;

(ii) a discount of approximately 11.66% to the average closing price of approximately HK$0.566 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares up to and including the Last Trading Day;

(iii) a premium of approximately 115.52% over the net asset value of approximately HK$0.232 per Share, calculated based on the audited consolidated net asset attributable to owners of the Company of approximately HK$380,104,000 as at 31 December 2015 and 1,635,566,601 Shares in issue as at the date of the Announcement.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor. Having taken into account, the Directors consider that the Issue Price is fair and reasonable which fall within the range of (i) the prevailing market price of the shares; (ii) current market conditions, and a premium over the Company's net asset value per Share; (iii) assuming the Completion becoming effective and 835,714,284 Consideration Shares in issue, a premium of approximately 33.69% over the Enlarged Group's net asset value per Share of approximately HK$0.374; and (iv) the Acquisition would generate a stable rental income to the Group, and the issue of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

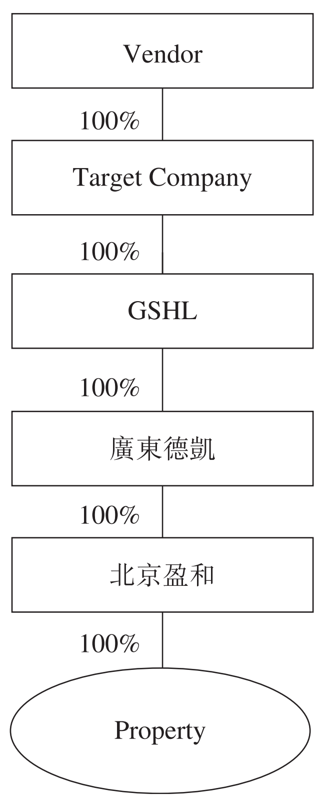
For illustration purposes only, the Consideration Shares represent approximately 49.58% of the existing issued share capital of the Company as at the Latest Practicable Date and represent approximately 33.14% of the Company's issued share capital as enlarged by the issue of the Consideration Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the existing Shares then in issue.

Shareholding Structure of the Target Group

Set out below is the shareholding structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the Latest Practicable Date



Shareholding structure of the Target Group immediately after Completion

Information on the Target Group and the Property

The Target Company

The Target Company is an investment holding company incorporated in the BVI with limited liability. The Target Company is wholly-owned by the Vendor. The Target Company is the holding company of GSHL.

Save as disclosed above, there is no material assets in the Target Company.

Gold Shiner Holdings Limited ("GSHL")

GSHL is an investment holding company incorporated in Hong Kong with limited liability. GSHL is wholly owned by the Target Company. GSHL is the holding company of 廣東德凱.

Save as disclosed above, there is no material assets in the GSHL.

廣東德凱偉業有限公司 (“廣東德凱”)

廣東德凱 is an investment holding company established in the PRC with limited liability and registered as a wholly-foreign-owned enterprise under the PRC Law. 廣東德凱 is the holding company of 北京盈和.

Save as disclosed above, there is no material assets in the 廣東德凱.

北京盈和房地產綜合開發有限公司 (“北京盈和”)

北京盈和 is an investment holding company established in the PRC with limited liability. The principal asset of 北京盈和 is the 100% interest in the Property.

The Property

The Property covers an area of approximately 16,360.03 sq.m. at the Rong Ning Yuan Community of No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC, which includes (i) the 1st and 2nd floor of the commercial podium of Block 2 with an area of approximately 1,323.61 sq.m.; and (ii) the car park and storage rooms at the basement of Block 1 to Block 6 with an area of approximately 15,036.42 sq.m.. The car park comprises of two storey with a total of 384 parking spaces. Primely located between the Second Ring and Third Ring in Beijing, the Property enjoys comprehensive ancillaries in the neighborhood. 北京盈和 has obtained the Building Ownership Right Certificate for the Property.

The design and construction of the Property are of excellent quality and it is named as “the most beautiful community (最美麗社區)” by the Beijing Municipal Government, of which Tower 2 and Tower 4 are awarded the “Luban Award (魯班獎)” by the judging panel of Ministry of Construction, which is the highest honour in terms of construction quality.

Prior to the signing of this Agreement, 北京盈和 has entered into a tenancy agreement with the tenant, Talent Epoch Holdings Limited (“TEH”), pursuant to which TEH has agreed to lease the entire area of the Property for a period of two years commencing from 15 June 2016 and ending on 15 June 2018 (the “Tenancy Agreement”). The rental for the initial year is RMB13,000,000 or the same value converted into HK$/RMB, the rental for the second year will be RMB15,000,000 or the same value converted into HK$/RMB (the “Rent”). Pursuant to the Tenancy Agreement, tenancy renewal and the revision of pricing terms are subject to mutual negotiations. Reference to the average of monthly market rent per square meter in the same range of the properties in similar vicinity was within the range RMB165–RMB243, the average monthly Rent per square meter of the Properties is approximately RMB177 which is in line with the market rate, therefore, the Board considers that the Rent is fair and reasonable on the same basis for determination of the Rent.

Upon Completion, the Company does not have any development plan on the Property and/or any employment arrangement. The management of the Company will continually manage and monitor the staffs of the Target Group who possess the relevant experience and expertise in property management, to deal in any activities of the Property, as well as, upon expiry, to negotiate with TEH on the terms of renewal or to seek potential tenant.

The Company also understands that TEH is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in property management business and TEH will re-lease the Property to other tenants. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, TEH and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Financial information of the Target Group

Set out below is the unaudited financial information of the Target Group for the financial years ended 31 December 2014 and 2015 respectively.

	Year ended 31 December	
	2015	**2014**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net loss before taxation	736	396
Net loss after taxation	736	396

As of 31 December 2015, the unaudited consolidated net assets of the Target Group before the fair value change of the Property was approximately HK$31,501,000. The unaudited consolidated net assets of the Target Group, after taking into account of the fair value change of the Property, would be approximately HK$547,139,000 as at 31 December 2015.

FINANCIAL IMPACT OF THE ACQUISITION TO THE GROUP

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and the consolidated financial results of the Target Group will be consolidated into the Group's financial statement. The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had taken place at 30 June 2016 to illustrate the effect of the Acquisition.

Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular (assuming that the Acquisition had been completed on 30 June 2016), the total assets of the Group would have increased from approximately HK$816,348,000 to approximately HK$1,241,924,000 on a pro forma basis, the total liabilities of the Group would have increased from approximately HK$317,593,000 to approximately HK$317,632,000 on a pro forma basis, and the net assets of the Group would have increased from HK$498,755,000 to HK$924,292,000 on a pro forma basis.

Earnings

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and its consolidated net profit will be consolidated into the Enlarged Group. Based on the consolidated financial statements of the Target Group for the year ended 31 December 2015 as set out in Appendices II and III to this circular and assuming that the Acquisition had taken place on 1 January 2015, the net loss of the Group for the financial year ended 31 December 2015 is expected to decrease from approximately HK$34,374,000 to HK$25,555,000 as a result of the Acquisition. While there will not be any immediate material impact on earnings of the Group, the Directors believe that the Acquisition would enhance the Group's income stream.

Reasons for and benefits of the Acquisition

The Company is an investment holding company and the principal activities of the Group include petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services. Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and results of the Target Group will be consolidated into the Group's accounts.

It has been the Company's business strategy to make investments that have earning potentials for the Group to expand its existing operations. The Board believes that the Acquisition will enhance the Shareholders' value in the long run and to diversify its business.

The Directors consider that the terms and conditions of the Agreement are fair and reasonable, and the Acquisition is in the interests of the Company and its shareholders as a whole

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Equity fund raising activities of the Company in the past twelve months

The Company has conducted the following fund raising activities in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Description	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
14 July 2016	50,000,000 new Shares at a subscription price of HK$0.70 per Subscription Share	HK$34.8 million	Intended to be used for general working capital and future business development and investments of the Group	The net proceeds have not yet been utilised and are deposited in the Company's bank account as at the Latest Practicable Date

Save for the fund raising activity mentioned above, the Company has not conducted any other fund raising activities in the past twelve months immediately before the date of this circular.

Effects on shareholding structure

Set out below is a summary of the shareholding in the Company as at the Latest Practicable Date 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.

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion**	
	No. of shares	*Approximate %*	*No. of shares*	*Approximate %*
Triumph Energy Group Limited *(Note 1)*	866,301,143	51.40%	866,301,143	34.36%
Taiming Petroleum Group Limited *(Note 2)*	64,018,000	3.80%	64,018,000	2.54%
Wisdom On Holdings Limited *(Note 3)*	15,064,000	0.89%	15,064,000	0.60%
Vendor *(Note 4)*	—	—	835,714,284	33.14%
Public Shareholders:				
Other Public Shareholders	740,183,458	43.91%	740,183,458	29.36%
Total	1,685,566,601	100.00%	2,521,280,885	100.00%

Notes:

1. Triumph Energy Group Limited is owned as to 51.71% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, 29.49% by AMA Energy Group Limited, which is owned as to 91.7% by Dr. Hui Chi Ming, a Director, and 8.3% by Taiming Petroleum Group Limited, and 18.8% by Simply Superb Holdings Limited, which is owned as to 39% by Mr. Huang Huafeng, 37.7% by Mr. Xu Zhenhui, 16.2% by Taiming Petroleum Group Limited and 7.1% by Mr. Liu Hao as at the Latest Practicable Date.

2. Taiming Petroleum Group Limited is wholly-owned by Dr. Hui Chi Ming, a Director, as at the Latest Practicable Date.

3. Wisdom On Holdings Limited is wholly-owned by Hoifu Petroleum Group Investment Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, as at the Latest Practicable Date.

4. As the Vendor is 100% owned by Dr. Hui, Dr. Hui is deemed to be interested in the Shares held by the Vendor under the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. Dr. Hui, the beneficial owner of the Vendor, is a Director and controlling Shareholder and thus a connected person of the Company under the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. A SGM will be held for the Independent Shareholders to consider, and if thought fit, approve, by way of poll, the Agreement and the transactions contemplated thereunder. Dr. Hui and his associates will abstain from voting for the approval of the Agreement and the transactions contemplated thereunder at the SGM. Given the interest of Dr. Hui in the Acquisition, Dr. Hui abstained from voting on the relevant board resolutions of the Company in approving the Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

SGM

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Acquisition and the grant of the specific mandate for the allotment and issue of the Consideration Shares.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon the Independent Shareholders; and (ii) no obligation or entitlement of any Independent Shareholder as at the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of their shares in the Company to a third party, either generally or on a case-by-case basis.

A notice convening the SGM is set out on pages 97 to 98 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing the proxy shall be deemed to be revoked.

RECOMMENDATION

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.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 19 to 39 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.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order 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)

20 October 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 20 October 2016 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 as the Independent Board Committee to consider and to advise you on the terms of the Agreement and the transactions contemplated therein including but not limited to the issue of the Consideration Shares under the Specific Mandate as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the same. Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 19 to 39 of the Circular.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which contains its advice to us in relation to the Agreement and the transactions contemplated therein and the additional information set out in the appendices to the Circular.

Having taken into account the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the Agreement and the transactions contemplated therein (including but not limited to the issue of Consideration Shares under the Specific Mandate) as set out in the Circular to be fair and reasonable so far as the interests of the Independent Shareholders are concerned, on normal commercial terms despite the entering into of the Agreement being not in the ordinary and usual course of business of the Group and in the interests of the Group and the independent Shareholders as whole. We, therefore, recommend the Independent Shareholders to support and to vote in favour of the ordinary resolutions to approve the Agreement and the transactions contemplated therein (including but not limited to the issue of Consideration Shares under the Specific Mandate).

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 full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor
Carpo Commercial Building
18–20 Lyndhurst Terrace
Central
Hong Kong

20 October 2016

The Independent Board Committee and the Independent Shareholders of Hoifu Energy Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction involving acquisition of the Target Company and issuance of Consideration Shares under the specific mandate, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 20 October 2016 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

On 13 June 2016 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company together with its interest in relation to the Target Group's property of the commercial podium, basement storage rooms and carpark premises, and its relevant rental income at the consideration of RMB433,350,750 (equivalent to approximately HK$515,893,750), which will be satisfied by as to (i) RMB50 million (equivalent to approximately HK$59,523,810) in cash as refundable deposit (the "**Refundable Deposit**"); and (ii) RMB383,350,750 (equivalent to approximately HK$456,369,940) by the issue of 912,739,880 (subject to adjustment) Shares as consideration shares at the issue price of HK$0.50 per Consideration Share by the Company to the Vendor.

As some of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. Dr. Hui, the beneficial owner of the Vendor, is a Director and controlling Shareholder and thus a connected person of the Company under the Listing Rules. Therefore, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. A SGM will be held for the Independent Shareholders to consider, and if thought fit, approve, by way of poll, the Agreement and the transactions contemplated thereunder. Dr. Hui and his associates will abstain from voting for the approval of the Agreement and transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising Mr. Chen Weiming, Eric, Mr. Kwan Wang Wai, Alan and Mr. Ng Chi Kin, David, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and as to voting in respect thereof at the SGM. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and accordingly, were qualified to advise the Independent Board Committee and the Independent Shareholders with respect to the Acquisition. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board contained in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

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, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations 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 opinion. We have not, however, conducted any independent in-depth investigation into the businesses or affairs or future prospects of the Group. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, 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.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Company

The Company is an investment holding company and the principal activities of the Group include petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services.

Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for each of the two financial years ended 31 December 2014 and 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**Annual Report 2015**") and for the six months ended 30 June 2016 as extracted from the interim report of the Company for the six months ended 30 June 2016 (the "**Interim Report 2016**").

	For the six months ended 30 June	**For the year ended 31 December**	
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	90,013	171,996	313,127
Loss for the year/period	(9,880)	(34,374)	(38,753)

	As at 30 June	As at 31 December	
	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	54,350	50,390	78,015
Net assets	498,755	520,406	365,148

(i) For the financial year ended 31 December 2015

The Group's revenue for the year was approximately HK$172.0 million for the year ended 31 December 2015 as compared to the revenue recorded for the year ended 31 December 2014 of approximately HK$313.1 million, representing a decrease of 45.1%. The substantial decrease in revenue was mainly due to the suspension of the trading business of sales of coal which had a lean profit margin due to the weak demand for products traded.

The Group recorded a net loss of approximately HK$34.4 million for the year ended 31 December 2015, compared to a net loss of approximately HK$38.8 million for the year ended 31 December 2014. The decrease in the loss of the Group was due to the significant decrease in cost of goods sold and direct cost and a higher profit margin contributed by the new business of mining and production of zeolite.

As stated in the Annual Report 2015, the Group's net assets increased from approximately HK$365.1 million as at 31 December 2014 to approximately HK$520.4 million as at 31 December 2015 while the cash and cash equivalents decreased from approximately HK$78.0 million as at 31 December 2014 to approximately HK$50.4 million as at 31 December 2015.

(ii) For the six months ended 30 June 2016

The revenue of the Group increased from approximately HK$80.7 million for six months ended 30 June 2015 to approximately HK$90.0 million for the six months ended 30 June 2016. According to the Interim Report 2016, the increase in revenue was mainly due to the increase of the sale of mineral products e.g. organic fertilizer, soil conditioner and water treatment chemicals. For the six months ended 30 June 2016, a net loss of approximately HK$9.9 million was incurred, as compared to a net profit of approximately HK$18.7 million for the six months ended 30 June 2015, as a result of the decrease in commission and brokerage income.

The Group had net assets of approximately HK$498.8 million and cash and cash equivalents of approximately HK$54.4 million as at 30 June 2016.

Based on the above, we consider the business strategy of the Company to seek more investing opportunities to broaden the revenue source and improve the financial performance for the Group is justifiable.

2. Information on the Target Group

The Target Company

The Target Company is an investment holding company incorporated in the BVI with limited liability. The Target Company is wholly-owned by the Vendor. The Target Company is the holding company of GSHL.

Save as disclosed above, there is no material assets in the Target Company.

Gold Shiner Holdings Limited ("GSHL")

GSHL is an investment holding company incorporated in Hong Kong with limited liability. GSHL is wholly owned by the Target Company. GSHL is the holding company of 廣東德凱.

Save as disclosed above, there is no material assets in the GSHL.

廣東德凱偉業有限公司 ("廣東德凱")

廣東德凱 is an investment holding company established in the PRC with limited liability and registered as a wholly-foreign-owned enterprise under the PRC Law. 廣東德凱 is the holding company of 北京盈和.

Save as disclosed above, there is no material assets in the 廣東德凱.

北京盈和房地產綜合開發有限公司 ("北京盈和")

北京盈和 is an investment holding company established in the PRC with limited liability. The principal asset of 北京盈和 is the 100% interest in the Property.

3. Information on the Property

The Property covers an area of approximately 16,360.03 square metre ("**sq.m.**"). at the Rong Ning Yuan Community of No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, PRC, which includes (i) the 1st and 2nd floor of the commercial podium of Block 2 with an area of approximately 1,323.61 sq.m.; and (ii) the car park and storage rooms at the basement of Block 1 to Block 6 with an area of approximately 15,036.42 sq.m.. The car park comprises of two stories with a total of 384 parking spaces. Primely located between the Second Ring and Third Ring in Beijing, the Property enjoys comprehensive ancillaries in the neighborhood. 北京盈和 has obtained the Building Ownership Right Certificate for the Property.

The design and construction of the Property are of excellent quality and it is named as "the most beautiful community (最美麗社區)" by the Beijing Municipal Government, of which Tower 2 and Tower 4 are awarded the "Luban Award (魯班獎)" by the judging panel of Ministry of Construction, which is the highest honour in terms of construction quality.

Prior to the signing of this Agreement, 北京盈和 has entered into a tenancy agreement with the tenant for a period of two years commencing from 15 June 2016 and ending on 15 June 2018. The rental for the initial year is RMB13,000,000 or the same value converted into HK$/RMB, the rental for the second year will be RMB15,000,000 or the same value converted into HK$/RMB. Pursuant to the tenancy agreement, tenancy renewal and the revision of pricing terms are subject to mutual negotiations.

The Company understands that the tenant is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in property management business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenant and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

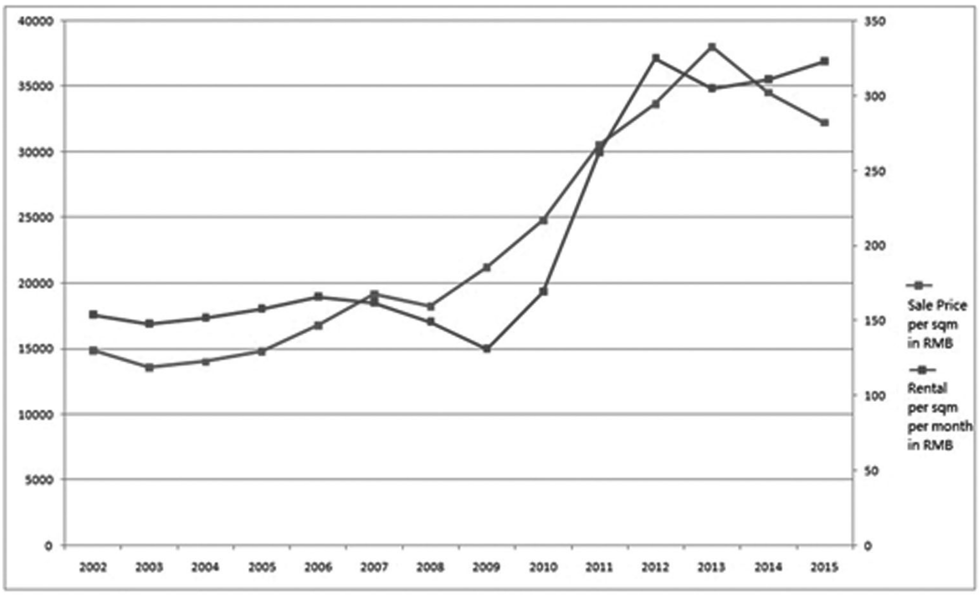
4. Market Outlook

During the first half year of 2016, the whole Beijing city has completed RMB336.16 billion of total investment in land and property assets with a year-on-year growth of 6.2%. Also, Beijing has completed an investment of RMB167.06 billion in real estate development, of which the investment in office buildings amounted to approximately RMB15.63 billion, with a year-on-year growth of 21.3%.

China Real Estate Chamber of Commerce ("**CRECC**") Office Research Council ("**CORC**") is one of the professional associations of office building market in the PRC, subordinated to CRECC. As stated on 2015 Beijing Grand-A Office Building Annual Report conducted by CORC, the trend of the Beijing office building market in 2015 was generally upward, with the sufficiency on both supply and demand. On one hand, the sales of commercial building was encouraged by the decrease of the interest rate, and the total amount of the sales reached RMB31 billion in 2015; on the other hand, the demand of the office building was also driven by the booming industries, e.g. finance, IT and Internet and so on, resulting in the continuous increase of the lease rental of the office building. In Xicheng District, supported by high demand, the average vacancy rate remains at approximately 1% while the average rental is at around RMB540 per sq.m. per month, which is relatively high as compared to other commercial areas in Beijing. It indicates that commercial office market in Xicheng District has been increased upside. Therefore, we are of the view that entering into of the commercial building business by the way of the Acquisition would benefit the Group from the stable rental revenue in future.

The chart below illustrates the sale price versus the rental on commercial building in Beijing during 2002–2015:

Sale Price/Rental Comparison on Commercial Building in Beijing 2002–2015



Source: CORC

As shown in the above chart, we note that there was a general upward trend of both sale price and rental on commercial building in Beijing since 2002, despite the trend experienced the downturns in 2007–2008 and 2012–2013. However, it is also noted that, during the above period, there were rebounds after the short-term decrease mainly due to the city's increasing economy and rarity of the land in Beijing central business district ("**CBD**"). As such, we consider that both sale price and rental on office building market in Beijing will still be on an upward trend in the long run.

As stated in the Letter from the Board and given the positive outlook of commercial office market in Beijing, it has been the Company's business strategy to make investments that have earning potentials for the Group to expand its existing operations. The Board believes that the Acquisition will enhance the Shareholders' value in the long run and to diversify its business.

Taking into consideration that (i) the Group remained substantial losses for the year ended 31 December 2014 and 2015 and the diversification into commercial building business would be an opportunity to broaden the revenue source for the Group; (ii) the Property is located between the Second Ring and Third Ring in Xicheng District, Beijing, PRC, enjoying comprehensive ancillaries in the neighborhood; (iii) the office building and car park in the Beijing CBD area will still be in high demand and, as the result the rental of office building and car park is expected to be increased in future in accordance with the market outlook; (iv) the tenancy agreement between the Company and the tenant for a two-year period from 15 June 2016 to 15 June 2018 secures a stable income for the

Group; and (v) pursuant to lease agreement on advertising signage board on the external walls of office building, the lease of the advertising signage board will provide the additional monthly rental income of RMB400,000 for a two-year period expiring on 15 July 2018, we concur with the view of the Board that the Acquisition is in the interests of the Company and its Shareholders as a whole.

5. Principal terms of the Purchase Agreement

Date

13 June 2016

Parties

Issuer:	the Company
Purchaser:	Hoifu Energy Holdings Limited (凱富能源控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
Vendor:	Golden Nova Holdings Limited, a company incorporated in the BVI with limited liability

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the entire equity interest in the Target Company together with its interest in relation to the Target Group's property of the commercial podium, basement storage rooms and carpark premises and its relevant rental income.

Consideration

Pursuant to the terms of the Agreement, the Consideration of RMB433,350,750 (equivalent to approximately HK$515,893,750) shall be satisfied by the Purchaser to the Vendor in the following manner:

(a) RMB50 million (equivalent to approximately HK$59,523,810) shall be payable to the Vendor's designated bank account in cash as Refundable Deposit upon signing of the Agreement; and

(b) RMB383,350,750 (equivalent to approximately HK$456,369,940) shall be payable to the Vendor and satisfied by procuring the Company to issue and allot 912,739,880 Consideration Shares (subject to adjustment) within 14 days after all the conditions precedent have been fulfilled or satisfied by the Purchaser and the Vendor.

The Consideration is subject to the adjustments with reference to the valuation on the Target Group as at 31 August 2016 performed by an independent valuer. Further details of the adjustment on the Consideration are set out in the section headed "Adjustment on the consideration" in the Letter from the Board.

Basis of the Consideration

The Consideration was based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor, with reference to the valuation of the Property carried out by the independent valuer which conducted that the valuation amount of the Property as at 31 August 2016 is approximately RMB401,000,000, in accordance to the valuation report in Appendix V to the Circular (the "**Valuation Report**").

As stated in the Letter from the Board, the Consideration for the Acquisition of RMB433,350,750 (equivalent to approximately HK$515,893,750) will be reduced to RMB401,000,000 (equivalent to approximately HK$477,380,952), with an excess of the Consideration of RMB32,350,750 (equivalent to approximately HK$38,512,798).

For illustrative purposes only, such excess of the Consideration of RMB32,350,750 (equivalent to approximately HK$38,512,798) will result in a reduction of 77,025,596 Consideration Shares being adjusted to 835,714,284 Consideration Shares.

To assess the fairness and reasonableness of the Consideration, we have considered, among others, the valuation of the Property as detailed in the Valuation Report prepared by Malcolm & Associates Appraisal Ltd (the "**Valuer**") and the discussion with the Valuer regarding the methodology of the and the principal bases and assumptions adopted for the valuation of the Property.

Valuer

We note that the responsible person of the Valuer for its engagement as the independent professional valuer for the Property is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Path), who has over 20 years' experience in valuations of properties in Hong Kong and the PRC. Besides, the Valuer also confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Property provided or made by the Company to the Valuer not having been included in the valuation.

Valuation Methodology

In valuing the property interests, the valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. According to the discussion with the Valuer, we note that the Valuer had adopted (i) the comparison approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market; and (ii) the investment approach by taking into account the current rents of the Property being held under existing tenancies and the reversionary potential of the tenancies if they have been or would be let to tenants.

We have reviewed the three comparables for the market rent (the "**Market Rent Comparables**") and three comparables for the market sales (the "**Market Sales Comparables**") of similar commercial buildings (together, the "**Comparables**") adopted by the Valuer and noted that (i) all information is quoted from more than one professional real-estate agent databases within a three-month period before the date of the Valuation Report; (ii) all rents and selling prices quoted are the asking prices based on the databases; (iii) all properties are commercial; and (iv) all properties are located in Xicheng District, Beijing which is close to the location of the Property. Having considered that the adopted real-estate agent databases are well-established in the PRC and also cover a majority of local real-estate information including commercial buildings, we are of the view that the list of Comparables is exhaustive and the Comparables selected based on the above criteria are fair and reasonable.

We have also discussed with the Valuer and noted that the adjustment for the Market Rent Comparables and Market Sales Comparables is made based on the factors of their respective locations, floor levels, sizes, ages, conditions, time and asking prices (the "**Adjustment**") in order to make them more accurate to represent the rents or prices, as compared to the Property. Given the differences of the location, floor level, size and ages between the Comparables and the Property, these factors may be adjusted upward or downward by the Valuer, as a result, the adjusted unit rent and price can better reflect the then property market in Xicheng District, Beijing.

Market Rent Comparables	**Location**	**Gross Floor Area**	**Unit Rent**	**Adjusted Unit Rent**
		(sq.m.)	*(RMB/sq.m./day)*	*(RMB/sq.m./day)*
A	北京市西城區棗林前街70號中環廣場低區	350	8.60	8.43
B	北京市西城區棗林前街70號中環廣場低區	427	7.50	7.35
C	北京西城區太平橋大街84號豐匯時代高層	300	8.80	8.45
		Average	8.30	8.08

Based on the Market Rent Comparables set out on the above table, it indicates, with the Adjustment, the average of the adjusted unit rents is RMB8.08 per sq.m. per day, which is equal to approximately RMB242 per sq.m. per month. According to the Valuation Report, we note that the monthly rent of the commercial offices at the Property is around RMB180 per sq.m. for the initial year and RMB195 per sq.m. for the second year, representing a discount of approximately 26% and 19% respectively to the Market Rent Comparables. As stated in the Letter from the Board, we note that the tenant is a property management company and it will sub-lease the Property to other tenants. By leasing the entire area of the Property including the commercial offices to a single tenant (i.e. TEH), the Company could save its administration costs and efforts to negotiate with other potential tenants. In view of the above, we consider that a discount to the rent of the Property is justifiable.

Market Sales Comparables	Location	Gross Floor Area *(sq.m.)*	Asking Price *(RMB)*	Unit Price *(RMB/sq.m.)*	Adjusted Unit Price *(RMB/sq.m.)*
D	北京西城區太平橋大街84號豐匯時代	551	46,840,000	85,009	73,958
E	北京西城區復興門鬧市口大街一號長安興融中心	321	26,960,000	83,988	73,069
F	北京西城區金融大街35號國際企業大廈	921	73,680,000	80,000	73,600
			Average	82,999	73,542

Based on the Market Sales Comparables, the average unit price of the commercial offices is approximately RMB82,999 per sq.m. in the similar vicinity with the Property. However, based on the Adjustment, the actual unit prices have been adjusted downward by the Valuer, and the average of the adjusted unit price is approximately RMB73,542 per sq.m.. We have discussed with the Valuer regarding the factors of the Adjustment for the Market Sales Comparables and noted that (i) the Market Sales Comparables D and E are featured a better location, higher floor level and potentially higher asking price as compared to the commercial offices at the Property, so a discount of 13% to each of the unit price has been adopted; and (ii) the Market Sales Comparable F is featured a higher floor level and potentially higher asking price compared to the commercial offices at the Property, so a discount of 8% to the unit price has been adopted. The main reason for such adjustment is that the properties with the above-mentioned features are generally considered to be of higher selling price, therefore the discount rates have been adopted to make the Market Sales Comparables more representative. Given the above reasons, we are of the view that such Adjustment is fair and reasonable.

According to the comparison approach adopted by the Valuer, we note that the unit price of the Property is approximately RMB74,000 per sq.m.. As such we consider that the Consideration is close to the market value of the Property, and it is fair and reasonable so far as the Independent Shareholders are concerned.

Besides, we have reviewed three car park comparables for the market rent (the "**CP Rent Comparables**") and three car park comparables for the market sales (the "**CP Sales Comparables**") in Xicheng District, Beijing adopted by the Valuer. The rents and selling prices quoted from the asking prices in the databases are set out as below:

CP Rent Comparables	Location	Gross Floor Area	Unit Rent	Unit Rent
		(sq.m.)	*(RMB/Month)*	*(RMB/sq.m./Day)*
G	北京西城區金融街泰康大廈地下車位	5	1200	8.00
H	北京西城區金融街金寰公寓車位	10	1500	5.00
I	北京西城區建行附近地下車位	7	1200	5.71
			Average	6.24

CP Sales Comparables	Location	Gross Floor Area	Unit Price
		(sq.m.)	*(RMB)*
J	北京西城區中海紫玉公館6號樓B2車位	15	700,000
K	北京西城區中信城二期B1車位	25	700,000
L	北京西城區中信錦園5號樓B2車位	10	650,000
		Average	683,333

Based on the above table, the average rental of the CP Rent Comparables is approximately RMB6.24 per sq.m. per day. Given that the gross floor area of each car parking space at the Property is approximately 12.5 sq.m., it indicates the rental for each car parking space at the Property is approximately RMB2,339.29 per month, which is close to the rental income of approximately RMB2,200.74 per month in the valuation model adopted by the Valuer. Besides, the adjusted price of each car parking space at the Property in the valuation model is approximately RMB700,000, which is also close to the average of the CP Sales Comparables of approximately RMB683,333 as shown in the CP Sales Comparables table above. As such, we consider that the valuation of the car parking spaces at the Property is fair and reasonable as compared to the prevailing market.

Consideration Shares

The Consideration Shares are to be issued by the Company under specific mandate to be sought for approval from the Shareholders at the SGM. The Consideration Shares will be allotted and issued at the issue price of HK$0.50 each, which represents:

(a) a discount of approximately 1.96% to the closing price of HK$0.51 per Share as quoted on the Stock Exchange on the date of Last Trading Day;

(b) a discount of approximately 11.66% to the average closing price of approximately HK$0.566 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares up to and including the Last Trading Day;

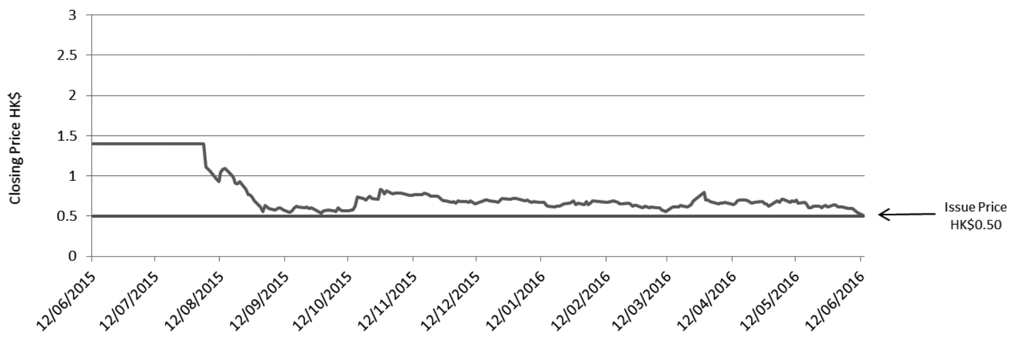
(c) a premium of approximately 115.52% over the net asset value of approximately HK$0.232 per Share, calculated based on the audited consolidated net asset attributable to owners of the Company of approximately HK$380,104,000 as at 31 December 2015 and 1,635,566,601 Shares in issue as at the date of the Announcement.

The Issue Price was determined after arm's length negotiation between the Company and the Vendor. Having taken into account, the Directors consider that the Issue Price is fair and reasonable which fall within the range of (i) the prevailing market price of the shares; (ii) current market conditions, and a premium over the Company's net asset value per Share; (iii) assuming the Completion becoming effective and 835,714,284 Consideration Shares in issue, a premium of approximately 33.69% over the Enlarged Group's net asset value per Share of approximately HK$0.374; and (iv) the Acquisition would generate a stable rental income to the Group, and the issue of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

To assess the fairness and reasonableness of the Issue Price, we have compared the Issue Price with reference to (a) the recent price performance of the Shares; (b) the trading liquidity of the Shares; and (c) the market comparable analysis, as set out below.

(a) Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the trading price of the Shares for the period from 14 June 2015, being the 12-month period prior to the date of the Agreement, up to and including the Latest Trading Day (the "**Review Period**").



Source: The Stock Exchange

Note: Trading of the Shares was suspended during the period of 8 June 2015 to 4 August 2015.

As the above chart shows, it can be seen that the trend of the closing price has been relatively stable during the Review Period. Save for the suspension of trading in the Shares during 14 June 2015 to 4 August 2015, the highest closing price was HK$1.11 on 5 August 2015 while the lowest closing price was HK$0.51 on 13 June 2016. Therefore, the Issue Price of HK$0.50 is lower than highest price during the Review Period, representing a discount of approximately 54.95%; on the other hand the Issue Price is slightly lower than the lowest price during the Review Period, representing a discount of approximately 1.96%. Besides, the Issue Price was set as lower the average of closing price during the Review Period (HK$0.69), equivalent to a discount of approximately 26.81% to it.

(b) Trading liquidity of the Shares

Regarding the trading liquidity of the Shares, set out below is the average daily volume of the Share each month/period during the Review Period, and the respective percentage of the average daily trading volume of the Shares as compared to the total number of issued Shares as at the end of the month/period:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Number of issued Shares as at the end of the month/period	Percentage of average daily trading volume to total number of issued Shares as at the end of month/period
2015					
June (since 14 June) *(Note 1)*	—	—	—	10,000,000,000	n/a
July	—	—	—	10,000,000,000	n/a
August	165,980,000	19	8,735,789	10,000,000,000	0.09%
September	33,200,000	20	1,660,000	10,000,000,000	0.02%
October	125,252,000	20	6,262,600	10,000,000,000	0.06%
November	34,666,000	21	1,650,762	10,000,000,000	0.02%
December	12,282,000	22	558,273	10,000,000,000	0.01%
2016					
January	43,242,000	20	2,162,100	10,000,000,000	0.02%
February *(Note 2)*	10,122,000	16	632,625	10,000,000,000	0.01%
March	36,396,000	21	1,733,143	10,000,000,000	0.02%
April	36,550,000	20	1,827,500	10,000,000,000	0.02%
May	26,595,900	21	1,266,471	10,000,000,000	0.01%
June (up to and including the Last Trading Day)	5,028,000	7	718,286	10,000,000,000	0.01%

Notes:

1. Trading of the Shares was suspended from 8 June 2015 to 4 August 2015.

2. Trading of the Shares was halted on 11 February 2016.

As illustrated from the above table, average daily trading volume as a percentage of the total issued Shares is in the range from approximately 0.01% to 0.09%, which is only a small portion of the total issue shares at the end of each month since June 2015. Having considered that (i) during period of September 2015 to the Last Trading Day, the closing share prices remained stable and close to the Issue Price; and (ii) the trading liquidity of the Shares is thin and considered as inactive during the Review Period, as a result it would not be practicable to sell the entire block of the Shares in the stock market without exerting downward pressure on the share price when the Shares are to be disposed in the future, we are of the view that a discount to the closing price of the Shares on the Last Trading Day is fair and reasonable.

(c) Comparison with other acquisitions

To further assess the fairness and reasonableness of the Issue Price of the Consideration Shares, we have compared the terms of the Consideration Shares to other companies on the Main Board of the Hong Kong Stock Exchange from 1 October 2015 up to the Latest Practicable Date, which (i) was in relation to connected transaction and required shareholders' approval; and (ii) involved in issuing of consideration shares as entire or part of the consideration (the "**CS Comparables**").

By reviewing the entire CS Comparables, we have identified an issue price of consideration share issued by LISI Group (Holdings) Limited (526.HK) represented a large discount to the closing share price on the date of sale and purchase agreement (43.76%) and to the average of closing share prices in the last five-trading days (43.93%). Based on the information disclosed on the website of the Stock Exchange, we note that such issue price was arrived from the adjusted net assets of the company and the company had taken into consideration of the high price volatility of its shares due to low liquidity and the release of market sensitive information of the company. In light of the uniqueness and impact of the company-specific factors, we consider this company cannot properly reflect the prevailing market sentiments regarding the premium or discount applied to the issue prices. As such, we have excluded it from the list of the CS Comparables.

We note that the companies involved in the CS Comparables are not engaged in the same principal business of the Company and they are of different market capitalizations, the targets involved are of different nature and size, and the terms of issuance of the consideration shares of each of the transactions may be subject to their respective circumstances such as different financial standing or business performance. However, since the CS Comparables were transacted at a time close to the date of the Agreement under similar market conditions, we are of the view that the CS Comparables, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless can provide a general reference basis to the Independent Shareholders as they can reflect recent market trends of the terms used in issuing shares as full or partial settlement of consideration. As such we consider that the CS Comparables are fair and representative samples.

Based on the criteria set as abovementioned, we have identified a list of CS Comparables as followings and we consider that the CS Comparables is an exhaustive list under the criteria for comparison purpose:

Company Name	Stock Code	Date of announcement	Issue Price *(HK$)*	Approximate premium/(discount) of the consideration share issue price over/(to) the closing price/average closing price of shares on the date of respective sale and purchase agreement *(%)*	Approximate premium/ (discount) of the Issue Price of over/(to) the closing/average price of shares in the last five-trading days *(%)*
Phoenix Healthcare Group Co. Ltd	1515	30/8/2016	8.04	(11.60)	0.00
ELL Environmental Holdings Limited	1395	4/7/2016	0.50	9.89	6.84
China Modern Dairy Holdings Ltd.	1117	16/6/2016	1.46	9.77	7.35
O Luxe Holdings Limited	860	25/5/2016	0.30	0.00	(1.60)
China Finance Investment Holdings Limited	875	2/2/2016	0.132	(6.38)	(19.81)
Central Wealth Financial Group Limited	572	2/2/2016	0.125	(5.3)	(8.76)
Blue Sky Power Holdings Limited	6828	11/12/2015	0.48	(5.88)	(10.11)
Landsea Green Properties Co. Ltd	106	3/12/2015	0.718	(0.28)	1.70
Capital Environment Holdings Limited	3989	26/11/2015	0.40	(9.09)	(2.91)
China Packaging Holdings Development Limited	1439	17/11/2015	0.70	(11.39)	(11.39)
COL Capital Limited	383	13/10/2015	0.40	(17.53)	(17.18)
Maximum				9.89	7.35
Minimum				(17.53)	(19.81)
Average				(4.34)	(5.08)
The Company				(1.96)	(11.66)

Source: the website of the Stock Exchange

As shown in the above Table of the CS Comparables, the issue prices of all of the CS Comparables to (i) the relevant closing price on the date of respective sale and purchase agreements ranged from a premium of approximately 9.89% to a discount of approximately 17.53%, with the average at a discount of approximately 4.34%; (ii) the last five-trading days closing prices ranged from a premium of approximately 7.35% to a discount of approximately 19.81%, with the average at a discount of approximately 5.08%. We note that the Issue Price of HK$0.50 represents a discount of approximately 1.96% to the closing price on the Last Trading Date and a discount of approximately 11.66% to the closing price of the Shares for the last five consecutive trading days, and such discounts (a) fall within the abovementioned ranges of the CS Comparables; and (b) are close to the average discount of the CS Comparables, therefore we are of the view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

After taking into account (i) the Consideration was adjusted based on the Valuation Report, prepared by an independent professional valuer; (ii) the trading price of Shares during the Review Period is close to the Issue Price and the trading liquidity during the Review Period is considered thin; and (iii) the discount rate of the Issue Price of the Consideration Shares is within the discount range of the CS Comparables and close to the average discount of the CS Comparables, we are of the view that the terms of the Acquisition are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

We note that, according to the Interim Report 2016, the Group had cash and cash equivalents of approximately HK$54.4 million as at 30 June 2016, which was less than the entire Consideration. As advised by the management of the Company, the Directors considered that the settlement of the Consideration by a combination of cash and issue of Consideration Shares would enable the Company to maintain its liquidity position by reducing cash outflow. Regarding bank financing and/or debt financing, we consider that it may (i) incur interest burden on the Group; and (ii) subject to, including but not limited to lengthy due diligence and negotiations with the banks with regards to the Group's financial position, capital structure and cost of funding of the Group as well as the prevailing market condition and the pledge of the Group's assets. By other means of equity financing such as rights issue or open offer, however, we consider that rights issue or open offer may be more time consuming as compared to direct placement of shares and would incur substantial costs in form of legal costs and underwriting commission. On the other hand, we note that the settlement method by way of issuance of Consideration Shares can (i) reduce cash outflow and retain more cash for general working capital and future expansion of the Group after the Acquisition; and (ii) maintain proper liquidity position or financial leverage of the Group, we are therefore of the view that the settlement of the Consideration partly by way of issuance of Consideration Shares is fair and reasonable and is in the interest of the Company and the

Shareholders as a whole despite the dilution effect to the existing public Shareholders, details of which is set out in the section headed "Effects on shareholding structure" below.

6. Financial impact of the Acquisition to the Group

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Group and the financial results of the Target Group will be consolidated into the accounts of the Group.

Assets and liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, upon completion of the Acquisition and assuming that the Acquisition was completed on 30 June 2016, the total assets of the Group would have increased from approximately HK$816,348,000 to approximately HK$1,241,924,000 on a pro forma basis. The total liabilities of the Group would have increased from approximately HK$317,593,000 to approximately HK$317,632,000 on a pro forma basis. The net assets of the Group would have increased from HK$498,755,000 to HK$924,292,000 on a pro forma basis.

Earnings

Based on the consolidated financial statements of the Target Group for the year ended 31 December 2015 as set out in Appendices II and III to the Circular and assuming that the Acquisition had taken place on 1 January 2015, the net loss of the Group for the financial year ended 31 December 2015 would have decreased from approximately HK$34,374,000 to HK$25,555,000 as a result of the Acquisition. As stated in the Letter from Board, the Acquisition is expected to have positive effects on the revenue of the Group contributed by the renting under the current passing tenancy agreements.

Having considered (i) the above changes on the financial position of the Group, and (ii) the potential enhancement of the income stream for the Group in future, we are of the view that the financial impact of the Acquisition to the Group is acceptable.

7. Effects on shareholding structure

Set out below is a summary of the shareholding in the Company as at the Latest Practicable Date 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.

Shareholders	**As at the Latest Practicable Date**		**Immediately after Completion**	
	No. of shares	*Approximate %*	*No. of shares*	*Approximate %*
Triumph Energy Group Limited *(Note 1)*	866,301,143	51.40%	866,301,143	34.36%
Taiming Petroleum Group Limited *(Note 2)*	64,018,000	3.80%	64,018,000	2.54%
Wisdom On Holdings Limited *(Note 3)*	15,064,000	0.89%	15,064,000	0.60%
Vendor *(Note 4)*	—	—	835,714,284	33.14%
Public Shareholders:				
Other Public Shareholders	740,183,458	43.91%	740,183,458	29.36%
Total	1,685,566,601	100.00%	2,521,280,885	100.00%

Notes:

1. Triumph Energy Group Limited is owned as to 51.71% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, 29.49% by AMA Energy Group Limited, which is owned as to 91.7% by Dr. Hui Chi Ming, a Director, and 8.3% by Taiming Petroleum Group Limited, and 18.8% by Simply Superb Holdings Limited, which is owned as to 39% by Mr. Huang Huafeng, 37.7% by Mr. Xu Zhenhui, 16.2% by Taiming Petroleum Group Limited and 7.1% by Mr. Liu Hao as at the Latest Practicable Date.

2. Taiming Petroleum Group Limited is wholly-owned by Dr. Hui Chi Ming, a Director, as at the Latest Practicable Date.

3. Wisdom On Holdings Limited is wholly-owned by Hoifu Petroleum Group Investment Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, as at the Latest Practicable Date.

4. As the Vendor is 100% owned by Dr. Hui, Dr. Hui is deemed to be interested in the Shares held by the Vendor under the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

Despite the number of the shares held by the existing shareholders will decrease immediately after Completion due to the dilution effect by the Acquisition, taking into account that (i) the rent of the Property would provide positive revenue and earnings under the current passing tenancy agreements; (ii) the rental yield of the Property may have a potential of increase in future; and (iii) the net assets of the Group will increase by way of the Acquisition, we consider the possible dilution effect to the existing Shareholders is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that entering into the Agreement is in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable. Besides, the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

1. CONSOLIDATED FINANCIAL STATEMENTS

Audited financial information of the Group for each of the years ended 31 December 2015, 31 December 2014 and 31 December 2013 was disclosed in the annual reports of the Company published on 28 April 2016, 29 April 2015 and 29 March 2014, respectively, on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hoifuenergy.com).

Unaudited interim financial information of the Group for each of the six months ended 30 June 2016, 30 June 2015 and 30 June 2014 was disclosed in the interim reports of the Company published on 27 September 2016, 29 September 2015 and 26 September 2014, respectively, on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hoifuenergy.com).

2. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the sale and purchase agreement dated 8 October 2014 (the "October 2014 SPA") entered into among 廣東凱富能源有限公司 (Guangdong Hoifu Energy Limited*) ("Guangdong Hoifu"), a wholly-owned subsidiary of the Company, the Company, Ms. Yang Ren and 黃河天能投資管理(北京)有限公司 (Huanghe Eternal Momentum Investment Management (Beijing) Co., Ltd.*) in respect of the acquisition of the entire equity interest in 河北攀寶沸石科技有限公司 (Hebei Panbao Zeolite Technology Co., Ltd.*) ("Hebei Panbao") for a total consideration of RMB30 million;

(b) the supplemental agreement dated 31 October 2014 entered into among the parties to the October 2014 SPA for amending the terms of the October 2014 SPA;

(c) the subscription agreement dated 6 February 2015 entered into between the Company and Mr. Zhu Yongwen in relation to the subscription of an aggregate of 30,000,000 new Shares at an issue price of HK$1.23 per subscription share;

(d) the subscription agreement dated 9 February 2015 entered into between the Company and Ms. Zhou Yang in relation to the subscription of an aggregate of 30,000,000 new Shares at an issue price of HK$1.2 per subscription share;

(e) the sale and purchase agreement dated 10 April 2015 (the "April 2015 SPA") entered into among the Company, Hoifu Group Properties Investment Limited, a wholly-owned subsidiary of the Company and Premier Chief Holdings Limited in respect of the proposed acquisition of the entire interest in New Praise International Limited (the "April 2015 Acquisition") at the consideration of HK$150 million;

(f) the cooperation framework agreement dated 21 May 2015 (the "Cooperation Framework Agreement") entered into among Hoifu Energy International Investment Co Limited, an indirect wholly-owned subsidiary of the Company, 馬達加斯加天然氣集團有限公司 (Madagascar Natural Gas Group Limited*) and 華陸工程科技有限責任公司 (Hua Lu Engineering & Technology Co., Ltd*) for establishing a joint company in the People's Republic of China and in Hong Kong respectively;

(g) the supplemental agreement dated 29 May 2015 entered into among the parties to the April 2015 SPA regarding the April 2015 Acquisition for extension of the long stop date for fulfillment of the conditions of the April 2015 SPA;

(h) the second supplemental agreement dated 2 June 2015 entered into among the parties to the April 2015 SPA regarding the April 2015 Acquisition for further extension of the long stop date for fulfillment of the conditions of the April 2015 SPA;

(i) the contracting agreement dated 5 June 2015 for mining and stripping of copper and gold deposits entered into between Hoifu Mineral Resources Holdings Limited, a wholly-owned subsidiary of the Company and 中國能建廣西電力工程建設有限公司 (China Energy Guangxi Power Engineering Construction Co., Ltd.*);

(j) the agreement dated 5 June 2015 (as amended and supplemented by the supplemental agreement dated 15 June 2015) (the "June 2015 SPA") entered into among, a wholly-owned subsidiary of the Company, the Company, a company beneficially wholly-owned by Dr. Hui Chi Ming, an executive Director of the Company and a controlling Shareholder, and 華陸工程科技有限責任公司 in respect of the acquisition of the entire issued share capital of Madagascar Natural Gas Group Limited for a total consideration of US$365.2 million;

(k) the strategic cooperation agreements entered into among 中非發展基金有限公司 (China-Africa Development Fund Co., Ltd.*), 國聯產業投資基金管理(北京)有限公司 (Guolian Industrial Investment Fund (Beijing) Co., Ltd.*), China National Chemical Engineering Co., Ltd. and China Energy Guangxi Power Engineering Construction Co., Ltd. in June 2015 regarding the investment in the Group's projects in Africa;

(l) the termination agreement dated 4 August 2015 entered into among the parties to the sale and purchase agreement dated 5 June 2015 (as amended and supplemented by the supplemental agreement) for terminating the June 2015 SPA;

(m) the agreement dated 4 August 2015 (the "August 2015 SPA") entered into between Hoifu Energy Investments Holding Limited, a wholly-owned subsidiary of the Company and Madagascar Natural Gas Group Limited in respect of the proposed acquisition of 100 ordinary shares in the capital of Oriental Bliss Holdings Limited (the "August 2015 Acquisition") for a total consideration of HK$750 million;

(n) the supplemental agreement dated 30 October 2015 entered into among the parties to the August 2015 SPA regarding the August 2015 Acquisition for extension of the long stop date for fulfillment of the conditions of the August 2015 SPA;

(o) the second supplement agreement dated 30 November 2015 entered into among the parties to the August 2015 SPA regarding the August 2015 Acquisition for further extension of the long stop date for fulfillment of the conditions of the August 2015 SPA;

(p) the third supplement agreement dated 31 December 2015 entered into among the parties to the August 2015 SPA regarding the August 2015 Acquisition for further extension of the long stop date for fulfillment of the conditions of the August 2015 SPA;

(q) the fourth supplement agreement dated 29 January 2016 entered into among the parties to the August 2015 SPA regarding the August 2015 Acquisition for further extension of the long stop date for fulfillment of the conditions of the August 2015 SPA;

(r) the sale and purchase agreement dated 4 February 2016 entered into between Guangdong Hoifu and 鄺建華 ("Mr. Kwong") in respect of the proposed acquisition of the entire equity interest in 北京匯興泰投資有限公司 (Beijing Huixintai Investments Limited*) at a total consideration of RMB130 million;

(s) the cancellation agreement dated 11 February 2016 entered into between Guangdong Hoifu and Mr. Kwong for terminating the proposed acquisition of the entire equity interest in 北京匯興泰投資有限公司;

(t) the fifth supplement agreement dated 30 April 2016 entered into among the parties to the August 2015 SPA regarding the August 2015 Acquisition for further extension of the long stop date for fulfillment of the conditions of the August 2015 SPA;

(u) a termination agreement dated 10 June 2016 entered into between the parties to the August 2015 SPA (as supplemented by the supplemental agreements) for terminating the August 2015 Acquisition;

(v) a sale and purchase agreement dated 13 June 2016 (the "June 2016 SPA") entered into among the Company, Hoifu Energy Holdings Limited (a wholly-owned subsidiary of the Company) and Golden Nova Holdings Limited in respect of the acquisition of Millhaven Holdings Limited at a total consideration of RMB433,350,750 (equivalent to HK$515,893,750);

(w) a subscription agreement dated 14 July 2016 entered into between the Company and Mr. Weng Tao in respect of the subscription of 50,000,000 new Shares at a subscription price of HK$0.70 per subscription share;

(x) the supplemental agreement dated 30 July 2016 entered into among the parties to the June 2016 SPA for extension of the Long Stop Date for fulfillment of the conditions of the June 2016 SPA;

(y) the second supplemental agreement dated 31 August 2016 entered into among the parties to the June 2016 SPA for extension of the Long Stop Date for fulfillment of the conditions of the June 2016 SPA;

(z) the agreement dated 31 August 2016 (the "August 2016 SPA") entered into among Guangdong Hoifu, the Company, Ms. Zhang Ling, Hoifu United Group Limited and Hebei Panbao, pursuant to which, (i) Guangdong Hoifu has agreed to acquire and Ms. Zhang Ling has agreed to sell, 45% equity interest of the Hebei Panbao for a total consideration of RMB200 million; and (ii) Guangdong Hoifu has agreed to sell, and Hoifu United Group Limited has agreed to acquire 45% equity interest of Hebei Panbao for a total consideration of RMB260 million;

(aa) the supplemental agreement dated 9 September 2016 entered into among the parties to the August 2016 SPA for amending certain terms of the August 2016 SPA; and

(ab) the second supplemental agreement dated 21 September 2016 entered into among the parties to the August 2016 SPA, pursuant to which, only Mr. Weng Tao and Mr. Ji Hailin, instead of each of the directors of the Purchaser (namely Mr. Weng Tao, Mr. Ren Xie, Mr. Ji Hailin, Mr. Jiang Wenzhen and Mr. Deng Wenqun) as originally stipulated in the August 2016 SPA, have provided irrevocable personal guarantees on the guaranteed profit in relation to the August 2016 SPA.

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.

3. INDEBTEDNESS STATEMENT

As at 31 August 2016, the Group had a unsecured and unguaranteed loan from a Director of approximately HK$90,300,000.

As at 31 August 2016, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, as at 31 August 2016, the 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 Group, the Group would have sufficient working capital for at least 12 months from the date of this circular.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there were no any material adverse change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest published unaudited condensed consolidated financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal activities of the Group include petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services.

As disclosed in 2015 annual report of the Company, revenue of the Group amounted to approximately HK$172 million for the year ended 31 December 2015. Gross profit and net loss of the Group amounted to approximately HK$71 million and approximately HK$34 million respectively for the year ended 31 December 2015. Total assets and total equity amounted to approximately HK$892 million and approximately HK$372 million respectively as at 31 December 2015. The Group will persist to focus on the strategy of driving higher profit margin growth with continuing cost improvement. It has been the Company's business strategy to make investments that have earning potentials for the Group to expand its existing operations and to diversify its business. The Group will continue to strive for advancement in both quantity and quality of earnings and expansion of business by all means, including merger, acquisition or establishment of business ventures.

In light of an expected slowdown of China's economic growth and facing the tough economic environment, the management of the Group is of the view that China is still providing huge opportunity to the Group which again acted swiftly to make its expansion to China by joining other co-promoters to set up JV Securities Company to embark on a new milestone in its business development in financial services industry. The total investment in the JV Securities Company will be RMB350 million and its formation is subject to the approval from China Securities Regulatory Commission ("CSRC") and other relevant regulatory authorities in the PRC.

Upon Completion, the Acquisition will strengthen the Group's financial position, generate a stable rental income to the Group and can diversify its existing business portfolio. The Board considers that the Acquisition will provide a strong foothold for the Group, and intends to continue to engage in property investment business as well as the Group seeks to expand such business segments by looking for appropriate investment opportunities with the aim to bring satisfactory return to the Group and the Shareholders.

The following is the text of a report received from the Company's reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

20 October 2016

Hoifu Energy Group Limited
Unit 10–12, 19/F.,
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 Millhaven Holdings Limited (the "Target Company") and its subsidiaries namely Gold Shiner Holdings Limited and 廣東德凱偉業有限公司 (the "Millhaven Group"), which comprises the consolidated statements of financial position as at 31 May 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Millhaven Group for the period from 18 April 2016 (date of incorporation) to 31 May 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the director of the Target Company for inclusion in Appendix II to the circular issued by Hoifu Energy Group Limited (the "Company") dated 20 October 2016 (the "Circular") in connection with the proposed acquisition of 100% equity interests in the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands on 18 April 2016 with limited liability and is principally engaged in investment holdings. No statutory audited financial statements have been prepared for the Target Company as there is no statutory audit requirement in the British Virgin Islands.

Gold Shiner Holdings Limited, a wholly owned subsidiary of the Target Company, was incorporated in Hong Kong on 28 October 2015 with limited liability and is principally engaged in investment holdings. As at the date of this report, no audited financial statements have been prepared.

廣東德凱偉業有限公司 was established in the PRC on 30 May 2016 with limited liability and is principally engaged in investment holdings. As at the date of this report, no audited financial statements have been prepared as 廣東德凱偉業有限公司 was established during the Relevant Periods.

For the purpose of this report, the director of the Target Company has prepared the consolidated financial statements of the Millhaven Group 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 (the "HKICPA"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions 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").

Respective Responsibilities of Directors and Reporting Accountants

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

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.

Opinion

In our opinion, for the purpose of this report, the Financial Information gives true and fair view of the state of affairs of the Millhaven Group as at 31 May 2016 and of the financial performance and cash flows for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 2 to the Financial Information which indicated that the Millhaven Group has net current liabilities of HK$22,000 as at 31 May 2016. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

A. FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Millhaven Group

	Notes	**18 April 2016 to 31 May 2016** *HK'000*
Revenue		—
Administrative expenses		(18)
Loss before taxation		(18)
Taxation	6	—
Loss and total comprehensive expenses for the period		(18)
Loss attributable to:		
Owners of the Target Company	7	(18)

The accompanying notes form an integral part of the Financial Information

Consolidated Statement of Financial Position of the Millhaven Group

	Notes	31 May 2016 *HK'000*
ASSET		
Current assets		
Cash and bank balances	9	22
Total assets		22
CAPITAL AND RESERVES		
Share capital	10	1
Reserves		(18)
Total equity		(17)
LIABILITIES		
Current liabilities		
Amount due to a director	11	39
Total liabilities		39
Total equity and liabilities		22
Net current liabilities		(17)
Total assets less current liabilities		(17)
Net liabilities		(17)

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

Consolidated Statement of Changes in Equity of the Millhaven Group

	Share capital	Accumulated losses	Total
	HK'000	*HK'000*	*HK'000*
At 18 April 2016 (date of incorporation)	1	—	1
Loss and total comprehensive expense for the period	—	(18)	(18)
At 31 May 2016	1	(18)	(17)

Consolidated Statement of Cash Flows of the Millhaven Group

	18 April 2016 to 31 May 2016
	HK'000
Operating activities	
Loss before taxation	(18)
Net cash used in operating activities	(18)
Financing activities	
Issuance of share	1
Advance from a director	39
Net cash generated from financing activities	40
Net increase in cash and cash equivalents	22
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	22
Analysis of balances of cash and cash equivalents	
Cash and bank balances at the end of the period	22

Notes to the Financial Information

1. CORPORATE INFORMATION

Millhaven Holdings Limited (the ''Target Company'') was incorporated on 18 April 2016 in the British Virgin Islands with limited liability. The principal activities of the Target Company and its subsidiaries are investment holdings. Its registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, British Islands.

The director of the Target Company considers that the functional currency and presentation currency of the Financial Information of the Target Company is Hong Kong dollars (''HKD''), the currency of the primary economic environment in which the Target Company operates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (''HKFRSs'') which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 May 2016, the Millhaven Group had net current liabilities and net liabilities of HK$22,000. These conditions indicate the existence of a material uncertainty which may cast doubt on the Millhaven Group's ability to continue as a going concern.

This Financial Information has been prepared on a going concern basis because the shareholder of the Target Company has agreed to provide adequate funds to enable the Millhaven Group to meet in full its financial obligation as they fall due in foreseeable future.

For the purpose of preparing and presenting Financial Information for the Relevant Periods, the Millhaven Group has adopted all the applicable HKFRSs which are effective for its accounting period beginning on 1 January 2016 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual reporting periods beginning on or after 1 January 2018.

3 Effective for annual reporting periods beginning on or after 1 January 2019.

The director of the Target Company is currently assessing the possible impact of the new and revised HKFRSs issued but not yet effective on the Millhaven Group's results and financial position in the first year of application.

Basis of preparation

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the director of the Target Company to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Financial Information.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Revenue

The Millhaven Group did not generate any revenue during the period.

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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Provision

A provision is recognised when the Millhaven Group has a present legal or constructive obligation as a result of a past event and 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. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

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 Millhaven Group. 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 Information. 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 Millhaven Group. A contingent asset is not recognised but is disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Related parties

(a) A person or a close member of that person's family is related to the Millhaven Group if that person: (i) is a member of the key management personnel of the Millhaven Group or of a parent of the Millhaven Group; (ii) has control over the Millhaven Group; or (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

(b) An entity is related to the Millhaven Group if any of the following conditions applies: (i) the entity and the Millhaven Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of a third entity; (iv) either 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 Millhaven Group or an entity related to the Target Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan; (vi) the entity is controlled or jointly controlled by a person identified in (a); or (vii) a person identified in (a)(i) has significant voting power in the entity; (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Millhaven Group or to the parent of the Millhaven Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Millhaven Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes and deferred taxation

The Millhaven Group is subject to profits tax in Hong Kong or other jurisdiction of which its operates. Significant judgment is required in determining the provision for income taxes. 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 in 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.

4. SEGMENT INFORMATION

The Millhaven Group has been operating in one single operating and reportable segment which was investment holding. Information reported to the Millhaven Group's chief operating decision maker, for the purpose of resources allocation and assessment performance is focused on the operating results of the Millhaven Group as a whole as the Millhaven Group's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

The Millhaven Group's operations are principally located in Hong Kong. Accordingly, no geographical segment information is presented.

5. DIRECTOR'S REMUNERATION

(a) Director's remuneration

The remuneration paid and payable of the director of the Millhaven Group during the Relevant Periods are analysed as follows:

For the period from 18 April 2016 to 31 May 2016

	Fee	**Salaries and other benefits**	**Retirement benefits scheme contribution**	**Total**
	HK'000	*HK'000*	*HK'000*	*HK'000*
KA, Xing Diao	—	—	—	—

6. TAXATION

No provision for the Hong Kong profit tax has been made in the Financial Information since the Millhaven Group incurred taxation loss during the Relevant Periods.

No provision for deferred tax liabilities has been made as the Millhaven Group had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Information.

7. LOSS ATTRIBUTABLE TO OWNERS OF THE TARGET COMPANY

The loss for the year attributable to owners of the Target Company included a loss of approximately HK$18,000, which have been dealt with in the financial statements of the Target Company for the Relevant Periods.

8. EARNING PER SHARE

No earning per share is presented as the calculation of the earning per share is not meaningful for the purpose of this report.

9. CASH AND CASH EQUIVALENTS

	31 May 2016
	HK'000
Cash and cash equivalents comprised bank balances	22

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash and cash equivalents consists of bank balances, which are unrestricted as to withdrawal and use, and which have maturities of three months or less.

10. SHARE CAPITAL

	31 May 2016
	HK'000
Issued and fully paid	
1 ordinary share	1

11. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured, interest free and repayable on demand.

12. FINANCIAL INSTRUMENTS

The carrying amounts of the Millhaven Group's financial assets and liabilities by category of financial instruments included in the consolidated statement of financial position are as follows:

	31 May 2016
	HK'000
Financial assets by category	
— Cash and cash equivalents	22
Financial liabilities by category	
— Accruals and other payables, at amortised costs	39

13. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Millhaven Group has no written risk management policies and guidelines. The director of the Target Company is responsible to analyse and formulate strategies to manage and monitor the Millhaven Group's exposure to variety of risks associated with financial instruments which arise from the Millhaven Group's operating activities. Generally, the Millhaven Group 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 follows:

Market risks:

(a) Interest rate risk

The Millhaven Group currently does not exposed to any interest rate risks since the Millhaven Group has no interest bearing financial liabilities during of the Relevant Periods.

(b) Foreign exchange risk

The business transactions of the Millhaven Group conducted during the Relevant Periods were mainly denominated and settled in HKD which is the Millhaven Group's presentation currency. Therefore, the Millhaven Group has no exposure in exchange rate risks and therefore no sensitivity analysis has been disclosed. The Millhaven Group currently does not have any hedging policy in respect of identified foreign currency risk.

(c) Credit risk

As at end of the Relevant Periods, the Millhaven Group's maximum exposure to credit risk which will cause a financial loss to the Millhaven Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk on cash and bank balances are mitigated as counterparties are banks or financial institutions with high credit rating.

(d) Liquidity risk

The Millhaven Group regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Taking the consideration of the shareholder of the Millhaven Group agreed to provide the financial support, the Millhaven Group will be able to meet its liabilities as and when they fall due.

14. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Millhaven Group's objectives when managing capital are:

- To safeguard the Millhaven Group's ability to continue as a going concern, so that it continues to provide returns for shareholder and benefits for other stakeholders;
- To support the Millhaven Group's stability and growth; and
- To provide capital for the purpose of strengthening the Millhaven Group's risk management capability.

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 May 2016.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies now comprising the Millhaven Group in respect of any period subsequent to 31 May 2016.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong

Yip Kai Yin
Practising Certificate Number: P05131

The following is the text of a report received from the Company's reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

20 October 2016

Hoifu Energy Group Limited
Unit 10–12, 19/F.,
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 Beijing Yinghe Property Development Limited 北京盈和房地產綜合開發有限公司 ("Beijing Yinghe"), which comprises the statements of financial position as at 31 December 2013, 2014, 2015 and 31 May 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Beijing Yinghe for each of the years ended 31 December 2013, 2014, 2015 and for the five months ended 31 May 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information together with the unaudited financial information of Beijing Yinghe including statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the five months ended 31 May 2015 ("Corresponding Financial Information"). This Financial Information has been prepared by the director of Beijing Yinghe for inclusion in Appendix III to the circular issued by Hoifu Energy Group Limited (the "Company") dated 20 October 2016 (the "Circular") in connection with the proposed acquisition of 100% equity interests in Millhaven Holdings Limited and its subsidiaries by the Company.

Beijing Yinghe was established in the PRC on 3 July 1997 with limited liability. Beijing Yinghe is principally engaged in property investment.

For the purpose of this report, the director of Beijing Yinghe has prepared the financial statements of Beijing Yinghe 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 (the "HKICPA"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions 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").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

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

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.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives true and fair view of the state of affairs of Beijing Yinghe as at 31 December 2013, 2014, 2015 and 31 May 2016 and of the results and cash flows for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 2 to the Financial Information which indicate that Beijing Yinghe had net current liabilities of HK$7,423,000, HK$7,369,000, HK$7,933,000 and HK$11,321,000 as at 31 December 2013, 2014, 2015 and 31 May 2016 respectively. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about Beijing Yinghe's ability to continue as a going concern.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the Corresponding Financial Information, for which the director of Beijing Yinghe is 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 Beijing Yinghe's management and applying analytical procedures to the 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 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 Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information which conforms to the HKFRSs.

A. FINANCIAL INFORMATION

Statement of Profit or Loss and Other Comprehensive Income of Beijing Yinghe

		Five months ended 31 May		Year ended 31 December		
		2016	2015	2015	2014	2013
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)			
Revenue	*4*	190	212	494	888	845
Other income and gain	*4*	3,000	—	8,000	6,000	5,011
Administrative expenses		(992)	(409)	(1,086)	(1,203)	(1,242)
Profit/(Loss) before taxation	*6*	2,198	(197)	7,408	5,685	4,614
Taxation	*8*	—	—	—	—	—
Profit/(Loss) and total comprehensive income/(expenses) for the period/year		2,198	(197)	7,408	5,685	4,614
Attributable to:						
Owners of Beijing Yinghe		2,198	(197)	7,408	5,685	4,614

The accompanying notes form an integral part of the Financial Information

Statement of Financial Position of Beijing Yinghe

		As at 31 May	As at 31 December		
		2016	**2015**	**2014**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-Current assets					
Property, plant and equipment	*10*	2,694	108	136	505
Investment properties	*11*	402,000	399,000	391,000	385,000
		404,694	399,108	391,136	385,505
Current assets					
Other receivables		1,178	419	420	423
Cash and bank balances	*12*	625	625	1,141	601
		1,803	1,044	1,561	1,024
Total assets		406,497	400,152	392,697	386,529
CAPITAL AND RESERVES					
Paid up capital	*13*	22,000	22,000	22,000	22,000
Reserves		371,373	369,175	361,767	356,082
Total equity		393,373	391,175	383,767	378,082

	As at 31 May 2016	As at 31 December 2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Current liabilities				
Account payables	2,247	2,247	2,247	2,247
Accrual and other payables	10,877	6,730	6,683	6,200
	13,124	8,977	8,930	8,447
Total liabilities	13,124	8,977	8,930	8,447
Total equity and liabilities	406,497	400,152	392,697	386,529
Net current liabilities	(11,321)	(7,933)	(7,369)	(7,423)
Total assets less current liabilities	393,373	391,175	383,767	378,082
Net assets	393,373	391,175	383,767	378,082

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

Statement of Changes in Equity of Beijing Yinghe

	Attributable to owners of Beijing Yinghe			
	Paid up capital	**Capital reserves**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	22,000	12,536	338,932	373,468
Profit and total comprehensive income for the year	—	—	4,614	4,614
At 31 December 2013 and 1 January 2014	22,000	12,536	343,546	378,082
Profit and total comprehensive income for the year	—	—	5,685	5,685
At 31 December 2014 and 1 January 2015	22,000	12,536	349,231	383,767
Profit and total comprehensive income for the year	—	—	7,408	7,408
At 31 December 2015 and 1 January 2016	22,000	12,536	356,639	391,175
Profit and total comprehensive income for the period	—	—	2,198	2,198
At 31 May 2016	22,000	12,536	358,837	393,373
At 1 January 2015	22,000	12,536	349,231	383,767
Loss and total comprehensive expenses for the period	—	—	(197)	(197)
At 31 May 2015 (Unaudited)	22,000	12,536	349,034	383,570

Statement of Cash Flows of Beijing Yinghe

	Five months ended 31 May		Year ended 31 December		
	2016	2015	2015	2014	2013
		(Unaudited)			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(Loss) before taxation	2,198	(197)	7,408	5,685	4,614
Adjustment for:					
Depreciation	110	27	28	372	403
Gain arising on change in fair value of investment properties	(3,000)	—	(8,000)	(6,000)	(5,000)
Loss on disposal of property, plant and equipment	5	—	—	—	—
Operating profit/(loss) before working capital changes	(687)	(170)	(564)	57	17
Increase/(Decrease) in other receivables	(759)	—	1	3	(4)
Increase/(Decrease) in accrual and other payables	4,147	(78)	47	483	(115)
Net cash generated from/ (used in) operating activities	2,701	(248)	(516)	543	(102)
Investing activities					
Purchase of property, plant and equipment	(2,701)	—	—	(3)	—
Net cash used in investing activities	(2,701)	—	—	(3)	—
Net increase/(decrease) in cash and cash equivalents	—	(248)	(516)	540	(102)
Cash and cash equivalents at the beginning of the period/year	625	1,141	1,141	601	703
Cash and cash equivalents at the end of the period/year	625	893	625	1,141	601
Analysis of balances of cash and cash equivalents					
Cash and bank balances at the end of the period/year	625	893	625	1,141	601

Notes to the Financial Information

1. CORPORATE INFORMATION

Beijing Yinghe Property Development Limited ("Beijing Yinghe") was established on 3 July 1997 in the PRC with limited liability. The principal activity of Beijing Yinghe is property investment. Its principal place of business is located at Beijing of the PRC.

The director of Beijing Yinghe considers that the functional currency and presentation currency of the Financial Information of Beijing Yinghe is Renminbi ("RMB"), the currency of the primary economic environment in which Beijing Yinghe operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2013, 2014, 2015 and 31 May 2016, Beijing Yinghe had net current liabilities of HK$7,423,000 HK$7,369,000, HK$7,933,000 and HK$11,321,000 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on Beijing Yinghe's ability to continue as a going concern.

This Financial Information has been prepared on a going concern basis because the owner of Beijing Yinghe has agreed to provide adequate funds to enable Beijing Yinghe to meet in full its financial obligation as they fall due in foreseeable future.

For the purpose of preparing and presenting Financial Information for the Relevant Periods, Beijing Yinghe has adopted all the applicable HKFRSs which are effective for its accounting period beginning on 1 January 2016 throughout the Relevant Periods.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual reporting periods beginning on or after 1 January 2018.

3 Effective for annual reporting periods beginning on or after 1 January 2019.

The director of Beijing Yinghe reporting is currently assessing the possible impact of the new and revised HKFRSs issued but not yet effective on the Company's results and financial position in the first year of application.

Basis of preparation

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the director of Beijing Yinghe to exercise their judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3 to the Financial Information.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in the Financial Information.

Revenue recognition

Rental income from leasing properties, car parks and advertising wall is recognised on a straight-line basis over the terms of relevant lease.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the retirement of disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Beijing Yinghe and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the Relevant Periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the costs over the estimated useful lives, as follows:

Office equipment	5 years or 20%
Motor vehicles	6 years or 17%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from change in the fair value of investment properties are included in profit or loss for period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period which property is derecognised.

Account and other receivables

Account and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account and other receivables is established when there is objective evidence that Beijing Yinghe will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the different between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss.

Financial instruments

i. Financial assets

Beijing Yinghe classifies its financial assets as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arisen principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment loss.

ii. Impairment loss on financial assets

Objective evidence that the assets are impaired includes observable data that comes to the attention of Beijing Yinghe includes the following loss events:

— significant financial difficulty of the debtors;

— a breach of contract, such as a default or delinquency in interest or principal payment;

— granting concession to a debtor because of debtors' financial difficulty; or

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in the profit and loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iii. Financial liabilities

Beijing Yinghe classifies its financial liabilities into trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

iv. Derecognition

Beijing Yinghe derecognises financial assets where the contractual rights to the future cash flows in relation to the investment expire or where the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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 Beijing Yinghe's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of Beijing Yinghe's operating cycle.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to be amortised are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment assets are grouped at the lower levels for which there are separately identifiable cash flow (cash-generating units).

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 is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Beijing Yinghe as lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expenses in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases. Such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on straight-line basis.

Beijing Yinghe as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

Provision

A provision is recognised when Beijing Yinghe has a present legal or constructive obligation as a result of a past event and 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. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

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 Beijing Yinghe. 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 Beijing Yinghe. 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) A person or a close member of that person's family is related to Beijing Yinghe if that person: (i) is a member of the key management personnel of the Company or of a parent of Beijing Yinghe; (ii) has control over Beijing Yinghe; or (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

(b) An entity is related to Beijing Yinghe if any of the following conditions applies: (i) the entity and Beijing Yinghe are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of a third entity; (iv) either 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 Beijing Yinghe or an entity related to Beijing Yinghe. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan; (vi) the entity is controlled or jointly controlled by a person identified in (a); or (vii) a person identified in (a)(i) has significant voting power in the entity; (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Beijing Yinghe or to the parent of Beijing Yinghe.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Beijing Yinghe makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment

In considering the impairment loss that may be required for Beijing Yinghe's assets, the recoverable amounts of the assets have to be determined.

The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present values, which require significant judgment relating to items such as level of sales volume, selling price and amount of operating costs. Beijing Yinghe uses all readily available information in determining an amount that is reasonable approximation of recoverable amount.

Income taxes and deferred taxation

Beijing Yinghe is subject to enterprise income tax in the PRC. Significant judgment is required in determining the provision for income taxes. 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.

Investment properties

Investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

4. REVENUE AND OTHER INCOME AND GAIN

	Five months ended 31 May		**Year ended 31 December**		
	2016	**2015**	**2015**	**2014**	**2013**
		(Unaudited)			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Rental income	190	212	494	888	845
Fair value gain on investment properties	3,000	—	8,000	6,000	5,000
Sundry income	—	—	—	—	11
	3,190	212	8,494	6,888	5,856

5. SEGMENT INFORMATION

Beijing Yinghe has been operating in one single operating and reportable segment which engaged in property investment. Information reported to Beijing Yinghe's chief operating decision maker, for the purpose of resources allocation and assessment performance is focused on the operating results of Beijing Yinghe as a whole as Beijing Yinghe's resources are integrated and no discrete financial information is available. Accordingly, no segment analysis is presented.

Beijing Yinghe's operations are principally located in the PRC. Accordingly, no geographical segment information is presented.

6. PROFIT/(LOSS) BEFORE TAXATION

	Five months ended 31 May		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
		(Unaudited)			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Auditor's remuneration	—	—	70	—	—
Staff costs (excluding director's emoluments)					
— salaries and allowances	100	100	239	239	239
— pension scheme contribution	21	19	46	43	41
Depreciation	110	27	28	372	403

7. DIRECTOR'S REMUNERATION

(a) Director's remuneration

The remuneration paid and payable to the director of Beijing Yinghe during the Relevant Periods are analysed as follows:

For the year ended 31 December 2013

	Fee	**Salaries and other benefits**	**Retirement benefits scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou ShuiJia	—	—	—	—

For the year ended 31 December 2014

	Fee	**Salaries and other benefits**	**Retirement benefits scheme contribution**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou ShuiJia	—	—	—	—

For the year ended 31 December 2015

	Fee	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou ShuiJia	—	—	—	—

For the five months ended 31 May 2016

	Fee	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou ShuiJia	—	—	—	—

For the five months ended 31 May 2015 (Unaudited)

	Fee	Salaries and other benefits	Retirement benefits scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhou ShuiJia	—	—	—	—

During the Relevant Periods, no remunerations of director of Beijing Yinghe has been paid which would have been classified as those fall within RMBNil to RMB1,000,000.

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid employees

The five highest paid in respect of non-director employees in Beijing Yinghe for the years ended 31 December 2013, 31 December 2014, 31 December 2015 and the five months ended 31 May 2016 are as follows:

	Five months ended 31 May		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
		(Unaudited)			
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and other benefits	100	100	239	239	239
Pension scheme contribution	21	19	46	43	41
	121	119	285	282	280

All of the five individuals, if any, with the highest emoluments in Beijing Yinghe for the years ended 31 December 2013, 31 December 2014, 31 December 2015 and the five months ended 31 May 2016 were fall within RMBNil to RMB1,000,000.

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

(c) Retirement benefit scheme

The employees of Beijing Yinghe are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. Beijing Yinghe is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or postretirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees

8. TAXATION

No provision for the Enterprise Income Tax (''EIT'') of the PRC has been made in the Financial Information since Beijing Yinghe incurred taxation loss during the Relevant Periods.

No provision for deferred tax liabilities has been made as Beijing Yinghe had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

9. EARNING PER SHARE

No earning per share is presented as the calculation of the earning per share is not meaningful for the purpose of this report.

10. PROPERTY, PLANT & EQUIPMENT

	Office equipment *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost			
At 1 January 2013, 31 December 2013 and 1 January 2014	96	2,856	2,952
Additions	3	—	3
At 31 December 2014 and 1 January 2015 31 December 2015 and 1 January 2016	99	2,856	2,955
Additions	—	2,701	2,701
Disposal	—	(174)	(174)
At 31 May 2016	99	5,383	5,482

	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Accumulated depreciation:			
At 1 January 2013	96	1,948	2,044
Provision for the year	—	403	403
31 December 2013 and 1 January 2014	96	2,351	2,447
Provision for the year	1	371	372
31 December 2014 and 1 January 2015	97	2,722	2,819
Provision for the year	1	27	28
31 December 2015 and 1 January 2016	98	2,749	2,847
Provision for the period	1	109	110
Written back on disposal	—	(169)	(169)
31 May 2016	99	2,689	2,788
Net carrying value:			
31 May 2016	—	2,694	2,694
31 December 2015	1	107	108
31 December 2014	2	134	136
31 December 2013	—	505	505

11. INVESTMENT PROPERTIES

	Investment Properties at fair value *RMB'000*
At 1 January 2013	380,000
Gain arising on change in fair value	5,000
At 31 December 2013 and 1 January 2014	385,000
Gain arising on change in fair value	6,000
At 31 December 2014 and 1 January 2015	391,000
Gain arising on change in fair value	8,000
At 31 December 2015 and 1 January 2016	399,000
Gain arising on change in fair value	3,000
At 31 May 2016	402,000

The investment properties are located in Beijing under Medium-term lease. The valuations of the investment properties were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The valuations were carried out by an independent firm of Malcolm & Associates Appraisal Limited having staff holding recognised professional qualification with recent experiences in the location and category of properties being value.

12. CASH AND BANK BALANCES

	As at 31 May 2016 RMB'000	As at 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000
Cash and cash equivalents comprised				
Bank balances	625	625	1,141	601

Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value. The conversion of RMB denominated balances kept in the PRC into foreign currencies and the transfer of these balances out of PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

13. PAID UP CAPITAL

	As at 31 May 2016 RMB'000	As at 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000
Registered and paid up capital	22,000	22,000	22,000	22,000

14. OPERATING LEASE COMMITMENTS

At 31 December 2013, 2014, 2015 and 31 May 2016, the total future minimum lease receivables under non-cancellable operating leases as follows:

	As at 31 May 2016 RMB'000	As at 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year	849	849	559	270
After 1 year but within 5 years	1,273	2,122	2,971	135
Total	2,122	2,971	3,530	405

15. FINANCIAL INSTRUMENTS

The carrying amounts of Beijing Yinghe's financial assets and liabilities by category of financial instruments included in the statement of financial position are as follows:

	As at 31 May 2016 RMB'000	As at 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000
Financial assets by category				
— Other receivables	1,178	419	420	423
— Cash and bank balances	625	625	1,141	601
	1,803	1,044	1,561	1,024
Financial liabilities by category				
— Accounts payable	2,247	2,247	2,247	2,247
— Accrual and other payables	10,877	6,730	6,683	6,200
	13,124	8,977	8,930	8,447

16. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Beijing Yinghe has no written risk management policies and guidelines. The director is responsible to analyse and formulate strategies to manage and monitor Beijing Yinghe's exposure to variety of risks associated with financial instruments which arise from Beijing Yinghe's operating activities. Generally, Beijing Yinghe 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 follows:

Market risks:

(a) Interest rate risk

Beijing Yinghe currently does not exposed to any interest rate risks since Beijing Yinghe has no interest bearing financial liabilities on its consolidated statement of financial position as at the end of the Relevant Periods.

(b) Foreign exchange risk

The business transactions of Beijing Yinghe conducted during the year were mainly denominated and settled in RMB which is Beijing Yinghe's presentation currency. Therefore, Beijing Yinghe has no exposure in exchange rate risks and therefore no sensitivity analysis has been disclosed. Beijing Yinghe currently does not have any hedging policy in respect of identified foreign currency risk, if any.

(c) Credit risk

As at end of the Relevant Periods, Beijing Yinghe's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk on cash and bank balances are mitigated as counterparties are banks or financial institutions with high credit rating. Credit risk on other receivables is minimal as Beijing Yinghe performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the aging of the receivables balances, follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each date of the reporting year to ensure that adequate impairment losses are made for irrecoverable amounts.

(d) Liquidity risk

Beijing Yinghe regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Taking the consideration of the shareholder of Beijing Yinghe agreed to provide the financial support, Beijing Yinghe will be able to meet its liabilities as and when they fall due.

17. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Beijing Yinghe's objectives when managing capital are:

- To safeguard Beijing Yinghe's ability to continue as a going concern, so that it continues to provide returns for shareholder and benefits for other stakeholders;
- To support Beijing Yinghe's stability and growth; and
- To provide capital for the purpose of strengthening Beijing Yinghe's risk management capability.

Beijing Yinghe actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Beijing Yinghe may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the relevant reporting period.

Beijing Yinghe monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Beijing Yinghe's total capital comprises all components of equity and net debt includes accruals and other payables, amount due to shareholders, less cash and bank balances.

	As at 31 May	**As at 31 December**		
	2016	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals and other payables	10,877	6,730	6,683	6,200
Less: cash and bank balances	(625)	(625)	(1,141)	(601)
Net debt	10,252	6,105	5,542	5,599
Total capital	393,373	391,175	383,767	378,082
Total capital plus net debt	403,625	397,280	389,309	383,681
Gearing ratio	2%	1%	1%	1%

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 May 2016.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies now comprising Beijing Yinghe in respect of any period subsequent to 31 May 2016.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong

Yip Kai Yin
Practising Certificate Number: P05131

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular from the independent reporting accountants, Elite Partners CPA Limited, Certified Public Accountants.

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

10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong

20 October 2016

The Board of Directors
Hoifu Energy Group Limited
Unit 10–12, 19/F.,
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited 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 consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes as set out on pages 81 to 85 of the circular of the Company dated 20 October 2016 (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 Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been complied by the directors of the Company to illustrate the impact of the proposed acquisition of 100% equity interests in Millhaven Holdings Limited (the "Target Company") and its subsidiaries (the "Millhaven Group") on the Group's consolidated statement of financial position as at 30 June 2016.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of 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" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) 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 owned 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 complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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 purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

For the purposes 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.

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 accountant's judgment, having regard to the reporting accountant's 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 Unaudited 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 compiled by the directors of the Company on the basis stated;

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

(c) the pro forma adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong

Yip Kai Yin
Practising Certificate Number: P05131

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Introduction

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (as defined in this circular) has been prepared by the Directors (as defined in this circular) in accordance with Rule 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purposes only, to provide information about how the proposed Acquisition (as defined in this circular) as detailed in the "Letter from the Board" included in this circular might have affected the financial position of the Group as if the Acquisition had been completed on 30 June 2016 in respect of the unaudited pro forma statement of financial position of the Enlarged Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on: (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2016, which was extracted from the interim report for the six months ended 30 June 2016; and (ii) the audited consolidated statement of financial position of the Millhaven Group as at 31 May 2016, which was extracted from the accountant's report thereon set out in Appendix II to this 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 accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates, uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Furthermore, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the interim report of the Company for the six months ended 30 June 2016, the accountants' report of the Millhaven Group as set out in Appendix II to this circular respectively, the Company's announcement dated 13 June 2016 and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

I. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2016

	The Group as at 30 June 2016 (Unaudited)	Millhaven Group as at 31 May 2016 (Audited)	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
ASSETS AND LIABILITIES						
Non-current assets						
Fixed assets	180,539	—	180,539	3,207	4	183,746
Investment properties	—	—	—	478,571	4	478,571
Intangible assets	49,219	—	49,219			49,219
Prepaid land leases	6,924	—	6,924			6,924
Exploration and evaluation assets	4,889	—	4,889			4,889
Deposit paid for acquisition of subsidiaries	58,370	—	58,370	(58,370)	3	—
Statutory deposits	4,087	—	4,087			4,087
Loan receivables	1,522	—	1,522			1,522
Total non-current assets	305,550	—	305,550	423,408		728,958
Current assets						
Inventories	4,705	—	4,705			4,705
Prepaid land leases	176	—	176			176
Accounts receivable	160,152	—	160,152			160,152
Loan receivables	10,700	—	10,700			10,700
Other receivables, prepayments and deposits	179,982	—	179,982	1,402	4	181,384
Pledged fixed deposits (general accounts)	7,867	—	7,867			7,867
Bank balance (trust and segregated accounts)	92,866	—	92,866			92,866
Bank balance (general accounts) and cash	54,350	22	54,372	744	4	55,116
Total current assets	510,798	22	510,820	2,146		512,966
Total assets	816,348	22	816,370	425,554		1,241,924

	The Group as at 30 June 2016 (Unaudited) *HK$'000*	Millhaven Group as at 31 May 2016 (Audited) *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Current liabilities						
Accounts payable	127,266	—	127,266		4	127,266
Other payables and accrued expenses	36,996	—	36,996		4	36,996
Amounts due to Directors	128,755	39	128,794			128,794
Tax payables	11,212	—	11,212			11,212
Total current liabilities	304,229	39	304,268			304,268
Net current assets	206,569	(17)	206,552	2,146		208,698
Total assets less current liabilities	512,119	(17)	512,102	425,554		937,656
Non-current liabilities						
Deferred tax liabilities	13,364	—	13,364			13,364
Total liabilities	317,593	39	317,632			317,632
NET ASSETS	498,755	(17)	498,738	425,554		924,292

C. NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as set out in the Company's interim report for the six months ended 30 June 2016.

2. The audited consolidated statement of financial position of the Millhaven Group as at 31 May 2016 are extracted from the Accountants' Report as set out in Appendix II to this circular.

3. Pursuant to the Agreement, the consideration of the Acquisition includes the consideration for acquisition of the entire share capital and shareholder's loan to the Target Company. According to the Agreement, the consideration is approximately HK$477,381,000 excluding the shareholder's loan of the Target Company as at the Completion Date which will be satisfied by HK$58,370,000 (RMB50,000,000) in cash and by the issue of 835,714,284 Shares as consideration shares at the issue price of HK$0.5 per consideration share.

   The cash consideration of approximately HK$58,370,000 (RMB50,000,000) has been paid by the Group and 835,714,284 new shares at HK$0.5 per Share will be issued by the Group upon the completion of the Acquisition.

4. The adjustment represents the Millhaven Group acquired Beijing Yinghe on 8 June 2016 and the fair value of the major assets and liabilities of Beijing Yinghe has been disclosed as follow:

	Carrying amount of the Millhaven Group	**Fair value of Beijing Yinghe***	**Fair value of Beijing Yinghe**	**Indemnify from shareholder of the Target Company**	**Fair value of the Target Group**
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	—	2,694	3,207	—	3,207
Investment properties	—	402,000	478,571	—	478,571
Other receivables	—	1,178	1,402	—	1,402
Cash and bank balances	22	625	744	—	766
Accounts payable	—	(2,247)	(2,675)	2,675	—
Accrual and other payables	—	(10,877)	(12,949)	12,949	—
Amount due to a director	(39)	—	—	—	(39)
	(17)	393,373	468,300	15,624	483,907

* The amounts are extracted from the statement of financial position of Beijing Yinghe as set out in Appendix III to this circular and are translated at Hong Kong dollars at the exchange rate of HK$1=RMB0.84.

The gain on bargaining purchases will be recognised into the consolidated statement of profit or loss upon the completion of the Acquisition as follow:

	HK$'000
Cash consideration	58,370
Share consideration	419,011
Total consideration	477,381
Fair value of the Target Group	(483,907)
Gain on Bargaining purchases	(6,526)

Since the fair values of the assets and liabilities of the Target Group at the completion date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets to be recognised in connection with the Acquisition may be different from the amounts presented and the differences may be significant.

The adjustment is expected to have a continuing effect on the Enlarged Group.

5. Apart from the above, no other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 30 June 2016. Unless otherwise stated, the adjustments above were not expected to have a continuing effect on the Enlarged Group.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Malcolm & Associates Appraisal Limited, an independent valuer, in connection with its valuation as at 31 August 2016 of the property interest contracted to be acquired by the Group located in the People's Republic of China.

Malcolm & Associates Appraisal Ltd
8th Floor, Wai Hing Commercial Building
Nos. 17–19 Wing Wo Street
Central, Hong Kong

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

Dear Sirs,

INSTRUCTIONS

We refer to the instructions of Hoifu Energy Group Limited (the "Company") to us for assessing the market value of the legal interest in the property contracted to be acquired by the Company and/or its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"). We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our independent and informed opinion of the market value of the property as at 31 August 2016 (the "valuation date").

BASIS OF VALUATION

Our valuation of the legal interest in the property represents the Market Value which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

We have valued the legal interest in the property on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of location, size, condition, time, age, floor level and other relevant factors.

The property is leased to an independent third party. The Investment Valuation Method is adopted to assess the market value of the legal interest in the property. The method is to assess the "term value" generated by the passing rent under the residual term of existing tenancies at an appropriate term yield and the "reversionary value" at an appropriate reversionary yield when the property is further to be leased or the existing lease is renewed. The summation of the capitalized term value and the capitalized reversionary value is the market value.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that none of further similar documents affecting the market value have been issued at the valuation date. We have not examined the original title documents to verify the legitimacy of the ownership or to ascertain the existence of any amendment to the First and Subsequent Deeds which can materially have a bearing on the market value.

In the course of our valuation, we have replied upon the advice and information given by the Group's PRC legal advisor, Beijing Kangda Law Firm, on the validity and enforceability of the title and the legal interest in the property. We are not in a position of providing due diligence and comments on this legal issue. All of such documents have been used for identification and reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the legal interest in the property was sold in the market in its existing state and use without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the market value of the legal interest in the property.

In addition, no account has been taken for any option or right of pre-emption affecting the sale of the legal interest in the property and no repossession is assumed in our valuation.

VALUATION CONSIDERATIONS

The property was inspected by Mr. Wong Yung Shing on 17 August 2016. We have inspected the property externally and where possible, the interior of the property. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, details of tenancies, floor areas, identification of the property and other relevant information.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which can affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors and the 2014 Red Book published by the Royal Institution of Chartered Surveyors.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

None of third parties is allowed to enforce the parts or the whole of this Valuation Certificate under The Contracts (Rights of Third Parties) Ordinance (Cap. 623). Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for the fluctuation of the currency exchange rate between the valuation date and the date of this circular.

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
MALCOLM & ASSOCIATES APPRAISAL LIMITED
Wong Yung Shing
LLB(Hon.)(London) Prof. Dip. (Est. Mgt)(HK Poly U) B.Sc.(Land Administration)(Hons.), ACIArb, MHKIArb, MHKIREA, RPS(GP)
Associate Director

Note: Mr. Wong Yung Shing is a corporate member of The Hong Kong Institute of Surveyors (General Practice) and The Royal Institution of Chartered Surveyors (Valuation Path) since early 1990s. Since 1989, he has continuously practiced for the valuation of corporeal and incorporeal properties and business valuation, including the valuation of properties in Hong Kong and the People's Republic of China, for diverse purposes and specialised in the expert witness services of property disputes, civil aviation, airport built infrastructure, and valuation. He is the unique record holder of Commonwealth Countries and Hong Kong Legal System (HKCFA Case No.: FAMV 18 of 2010).

SUMMARY OF VALUE

Legal interest in the Property contracted to be acquired and to be held for investment by the Group in the PRC

Property	**Market Value in existing state and use as at 31 August 2016** *RMB*
Levels 1 & 2 of Block 2 and the basement car park & the storeroom together with the advertising signage boards on the roofs and the external wall of Block 1 to Block 6, Rong Ning Yuan Community, No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, The PRC	401,000,000
Total:	**401,000,000**

VALUATION CERTIFICATE

Legal interest in the Property contracted to be acquired and to be held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state and use as at 31 August 2016 *RMB*
Levels 1 & 2 of Block 2 and the basement car park & the storeroom together with the advertising signage boards on the roofs and the external wall of Block 1 to Block 6, Rong Ning Yuan Community, No. 60 Guang An Men Nan Jie, Xicheng District, Beijing, The PRC	The property comprises 2 commercial podium levels of Block 2, car park and storeroom at the basement, advertising signage boards on the roofs and the external walls of Block 1 to Block 6 within a residential development known as Rong Ning Yuan Community "榮寧園小區" completed in about 2001. The total gross floor area ("GFA") of the property is listed as follows: Description — GFA sq.m. Commercial podium levels — 1,323.61 Car park and storeroom — 15,036.42 Total: — 16,360.03 The state-owned land use rights of the property have been granted for a term to be expired on 5 February 2071 for residential and so on uses.	According to the Company, Levels 1 and 2 of Block 2 and the basement car park and the storeroom of Block 1 to Block 6 of the property is leased to an independent third party for a term of 2 years to be expired on 15 June 2018 at an annual rent of RMB13,000,000 for the first year and RMB15,000,000 for the second year. In addition, the advertising signage boards on roofs and the external wall of Block 1 to Block 6 is leased for a term to be expired on 15 July 2018 at a monthly rent of RMB400,000.	401,000,000

Notes:

1. The property is situated in Xicheng District which is a central district of Beijing. Various offices of State agencies and more than 80 governmental ministries and agencies are located nearby. The property is well-served by a convenient transportation network which connects to other places through public transportation.

   Supported by stable demand, vacancy rates in Xicheng District remain low. Average rent is at around RMB545 per sq.m. for Grade A office; sale prices of non-Grade A office in Xicheng District, however, is around RMB40,000 to RMB85,000 per sq.m.

2. Pursuant to a State-owned Land Use Rights Certificate, Jing Xi Guo Yong (2014 Chu) Di No. 00035, the land use rights of the property with a site area of approximately 7,040.63 sq.m. have been granted to 北京盈和房地產綜合開發有限公司 ("北京盈和") for a term to be expired on 5 February 2071.

3. Pursuant to a Building Ownership Certificate, X Jing Fang Quan Zheng Xuan Zi Di No. 015736, the land use rights and the building ownership rights of the property are legally owned by 北京盈和. The land use rights of the property have been granted for residential, car park and storeroom uses.

4. Pursuant to a Real Estate Title Certificate, Jing (2016) Xi Cheng Qu Bu Dong Chan Quan Di No. 0023267, the land use rights and the building ownership rights of the property are legally owned by 北京盈和. The land use rights of the property have been granted for a term commencing from 25 May 2000 and to be expired on 24 May 2040 for residential, car park and storeroom. According to the appendices attached on the Real Estate Title Certificate, the existing use of the property on Levels 1 & 2 of Block 2 is permitted and approved by the relevant authorities.

5. The opinion of the PRC legal advisor to the Group contains, inter alia, the following:

   a. The relevant title certificates of the land parcels and the buildings have been obtained by the Company;

   b. The Company is entitled to occupy, use, obtain income and dispose of the land parcels and the buildings according to their uses as stated in the relevant title certificates during their residual term of land use and building use rights;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The Company will obtain the property interest of the commercial podium, basement storage rooms and car park premises and its relevant rental income; and

   e. The Company will obtain all property-based interest including the property rights and liabilities under the contract of the advertising signage boards on roofs and external walls.

6. Our valuation has assumed the following in commensurate with the Property Rights Laws (2004):

   (a) the property is held by the Company with valid and enforceable title deeds and freely assignable to third parties without onerous obstacles and compliance of further legal restrictions for proprietary use and enjoyments,

   (b) the design and construction of the property is built in full compliance with the relevant building laws and regulations. None of unauthorised structures, alterations and additions exists,

   (c) except the actual notice of incumbrances registered against the property, the property is free of unwritten, unregistered or unregistrable incumbrances against the liability for the third parties' interests in the property, and

   (d) none of additional tax payments, costs and expenses is further incurred and payable to the government authorities for the legitimate use and occupation of the property.

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 Company. 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. DISCLOSURE OF INTERESTS

Directors' interests and short positions in the securities of the Company and its associated corporation

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

Name of Director/ Chief executive	Capacity	Number of Shares	Percentage of shareholding in the Company
Dr. Hui Chi Ming ("Dr. Hui") *(Note)*	Interest of controlled corporation	945,383,143	56.09%

Note: The shares are registered in the name of and beneficially owned as to 866,301,143 shares by Triumph Energy Group Limited ("Triumph"), 64,018,000 shares by Taiming Petroleum Group Limited ("Taiming") and 15,064,000 shares by Wisdom On Holdings Limited ("Wisdom On"). The entire share capital of Triumph is beneficially and indirectly owned as to 84.25% by Dr. Hui through three BVI companies, Taiming, AMA Energy Group Limited and Simply Superb Holdings Limited respectively. The entire share capital of Taiming is wholly-owned by Dr. Hui, AMA Energy Group Limited is directly owned as to 91.70% by Dr. Hui and 8.3% by Taiming and Simply Superb Holdings Limited is owned as to 16.2% by Taiming. Wisdom On is wholly-owned by Hoifu Petroleum Group Investment Limited, which is wholly owned by Dr. Hui.

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

3. 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 executive 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 or held any option in respect of such capital:

Name	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Triumph *(Note 1)*	Beneficial owner	866,301,143	51.40%
Taiming *(Note 2)*	Beneficial owner	64,018,000	3.80%
Wisdom On *(Note 3)*	Beneficial owner	15,064,000	0.89%

Note 1: The entire issued share capital of Triumph is beneficially and indirectly owned as to 84.25% by Dr. Hui Chi Ming through three BVI companies, Taiming, AMA Energy Group Limited and Simply Superb Holdings Limited respectively.

Note 2: The entire issued share capital of Taiming is beneficially owned by Dr. Hui Chi Ming.

Note 3: The entire issued share capital of Wisdom On is beneficially owned by Hoifu Petroleum Group Investment Limited, which is wholly owned by Dr. Hui Chi Ming.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than the Directors and chief executive 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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or members of the Enlarged Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any business or interests in business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

6. INTERESTS IN ASSETS OF THE GROUP

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. Such agreement has been renewed for further two years expiring on 31 May 2017 at a monthly rent of HK$200,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been since 30 June 2016 (being the date to which the latest published unaudited condensed consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by, or against any member of the Enlarged Group.

8. EXPERT AND CONSENT

The following is the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualifications
Grand Moore Capital Limited	A licenced corporation to carry out Type 1 (Dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Donvex Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Elite Partners CPA Limited (“Elite”)	Certified Public Accountants
Malcolm & Associates Appraisal Limited (“Malcolm”)	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts have any shareholding in any member of the Enlarged 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 Enlarged Group.

9. GENERAL

(a) The principal activity of the Company is an investment holding company. The principal activities of the Group include petrochemical production, oil and gas exploration and production, mineral mining business and provision of financial services.

(b) The registered office and principal place of business of the Company in Hong Kong, and head office of the Company 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.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, which is situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Fu Wing Kwok Ewing who is a member of both American Institute of Certified Public Accountants and Hong Kong Institute of Certified Public Accountants.

(e) The English text of this circular shall prevail over the Chinese text, in ease of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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, for a period of 14 days from the date of this circular:

(a) the bye-laws of the Company;

(b) the annual reports of the Company for the last two financial years ended 31 December 2014 and 2015;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 39 of this circular;

(e) the accountants' reports on the Target Group prepared by Elite, the full text of which are set out in Appendices II & III to this circular;

(f) the report prepared by Elite in respect of the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular;

(g) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(h) the material contracts referred to in the section headed "Material Contracts" are set out in Appendix I to this circular;

(i) the valuation report prepared by Malcolm is set out in Appendix V to this circular; and

(j) this circular.

Hoifu Energy Group Limited
凱富能源集團有限公司

(incorporated in Bermuda with limited liability)
(Stock Code: 7)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "SGM") of Hoifu Energy Group Limited (the "Company") will be held at Units 1910–1912, 19th Floor, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong on Friday, 18 November 2016 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the Agreement (as defined and described in the circular of the Company dated 20 October 2016 (the "Circular"), a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder."

2. "**THAT**

(a) the allotment and issue of the Consideration Shares (as defined and described in the Circular) in the principal amount of up to RMB351,000,000 at the issue price of HK$0.50 per Consideration Share to Golden Nova Holdings Limited and/or its designated party be and are hereby approved;

(b) subject to the listing committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares, the Directors be and are hereby granted the specific mandate (the "Specific Mandate") which shall entitle the directors of the Company to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares, on and subject to the terms and conditions of the Agreement, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

(c) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the allotment and issue of the Consideration Shares."

Yours faithfully,
By order of the Board
Dr. Hui Chi Ming, *G.B.S., J.P.*
Chairman

Hong Kong, 20 October 2016

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

As at the date of this notice, the Honorary Chairman and Senior Consultant of the Company is Dr. Yukio Hatoyama; the Board comprises seven 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. 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.