CEFC INTERNATIONAL LIMITED
(Incorporated in Bermuda)
(Company Registration No. 35733)

PROPOSED JOINT VENTURE WITH RIZHAO PORT OIL TERMINAL CO., LTD (日照港油品码头有限公司)

---

1. INTRODUCTION

1.1 The board of directors (the "**Board**") of CEFC International Limited (the "**Company**", together with its subsidiaries, referred to as the "**Group**") wishes to announce that Hong Kong CEFC Petrochemical & Energy Pte, Ltd. ("**CEFC HK**"), a wholly-owned subsidiary of the Company, has on 30 July 2014 entered into a joint venture agreement (the "**Joint Venture Agreement**") with Rizhao Port Oil Terminal Co., Ltd (日照港油品码头有限公司)(the "**JV Partner**") to build and operate oil storage tank facilities at the port area in Rizhao City ("**Rizhao Port**"), Shandong Province, the People's Republic of China ("**PRC**") (the "**Proposed Joint Venture**").

1.2 Pursuant to the Proposed Joint Venture, a joint venture company ("**JVCo**") will be incorporated in Rizhao City, Shandong Province, the PRC for the purposes of constructing and operating the oil tank storage facilities (the "**Facilities**") at a plot of land of approximately 198 *mu* (approximately 132,000 square metres) in the Rizhao Port area (the "**Land**").

1.3 The JVCo will be held by CEFC HK and the JV Partner in a 49:51 proportion.

2 INFORMATION ON THE JV PARTNER AND THE RIZHAO PORT

2.1 The JV Partner is a subsidiary of Rizhao Port Group Co., Ltd (日照港集团有限公司) ("**RPG**"), a large state-owned enterprise in the PRC that is also affiliated to Rizhao Port Co., Ltd. (日照港股份有限公司)("**RPC**") which is listed on the Shanghai stock exchange with a market capitalisation of approximately RMB8.6 billion as at 30 July 2014. RPG has a 41.1% stake in RPC and is its largest shareholder.

2.2 RPG and its subsidiaries are involved in port management businesses in the PRC, including port loading and unloading and cargo warehousing for bulk cargo (such as coal, cement, nickel ore, iron, steel and coke, as well as non-metal ores).The JV Partner is currently operating the existing crude oil and fuel oil storage facilities at the Rizhao Port area (the "**Existing Facilities**"), which has a total storage capacity of 750,000 cubic metres.

2.3 The JV Partner also owns and operates existing infrastructure (including utilities supply and related logistics support) of the Rizhao Port.

2.4 The Rizhao Port was the ninth largest port along China's coast and the second largest port in Shandong Province, PRC in 2013. It has a well established infrastructure and transport system which is connected to various railway, expressway and aviation networks. It is a deep sea port and is ice free, and is thus able to operate throughout the year and handle the loading and unloading of oil tankers.

3 THE PROPOSED JOINT VENTURE

3.1 Key Terms of the Joint Venture Agreement and the Proposed Joint Venture

3.1.1 The Joint Venture Agreement provides, *inter alia*, for the following:

(a) The JVCo shall be a limited liability company, of which the risks and rewards are to be shared proportionately based on the capital contribution of the parties. The term of operation of the JVCo shall be 30 years from the date of the issuance of its business licence, such term to be renewable upon the relevant approvals being obtained.

(b) The JVCo will have a registered capital of RMB350 million ("**Registered Capital**"). CEFC HK shall subscribe for 49% of the total equity interest in the JVCo, equivalent to RMB 171.5 million of the Registered Capital ("**CEFC Equity Stake**"), such subscription consideration to be satisfied by cash payment in RMB (or the equivalent amount in USD).

The JV Partner shall subscribe for the remaining 51% of the total equity interest in the JVCo, which shall be satisfied by the JV Partner transferring the land use right in respect of the Land (which is currently held by the JV Partner) to the JVCo. In the event that the value of the Land (which shall be ascertained by an independent third party valuer to be appointed) is less than RMB178.5 million, the JV Partner shall contribute the balance amount in cash.

(c) Both parties shall be required to make a one-time full payment of their respective capital contributions within 60 days of the issuance of the JVCo's business licence, and the land use right in respect of the Land is to be transferred to the JVCo pursuant to applicable laws.

(d) The proposed business scope of the JVCo shall be the investment, construction, operating and management of the relevant Facilities (with storage capacity of 600,000 cubic metres) and ancillary equipment and facilities in the operating area located at Rizhao Port, and the provision the storage, bonded transit, sales and other services relating to crude oil, fuel oil, other oil and petroleum products.

(e) The board of directors of the JVCo (the "**JVCo Board**") shall comprise five (5) directors, of whom three (3) shall be appointed by the JV Partner and two (2) shall be appointed by CEFC HK. The chairman of the JVCo Board shall be appointed by the JV Partner and the vice-chairman of the JVCo Board shall be appointed by CEFC HK. The chairman of the JVCo Board shall be the legal representative of the JVCo.

(f) The JVCo will have a board of supervisors ("**Board of Supervisors**") comprising three (3) supervisors, of whom two (2) shall be appointed by the JV Partner and one (1) shall be appointed by CEFC HK. The chairman of the Board of Supervisors shall be appointed by CEFC HK.

(g) The Joint Venture Agreement further provides that the general manager of the JVCo shall be recommended by the JV Partner, whilst the vice-general manager and the financial controller of the JVCo shall be recommended by CEFC HK.

(h) CEFC HK has an effective veto right over all key matters to be approved by the JVCo Board, in the manner set out below:

The Joint Venture Agreement sets out various reserved matters which requires the unanimous approval of the JVCo Board in attendance (provided always that at least one (1) director appointed by each of the parties shall be present and voting). Such reserved matters include the amendments of the articles of association of the JVCo, the termination and dissolution of the JVCo as well as the renewal of the term of the Joint Venture Agreement, the increase and decrease of the registered capital of the JVCo, the merger and division of the JVCo, the incorporation, acquisition, disposal, liquidation and striking off of any branch of the JVCo, the alteration and adjustment of the business scope of the JVCo, determination of plans for profit distribution, the issuance of stock, debenture or other corporate financial facilities and the provision of guarantees by the JVCo.

In addition, the Joint Venture Agreement also sets out certain reserved matters which require approval by two thirds of the JVCo Board in attendance (provided always that at least one (1) director appointed by each of the parties shall be present and voting), such as, *inter alia*, the formulation and revision of the JVCo's basic salary plan, the appointment, removal, and terms of employment and scope of authority of JVCo's general manager, vice general manager, financial controller, determination of the internal management structure of the JVCo, approval of the operation and investment plan of the JVCo, approval of the annual budget, and approval of the audited annual financial report and the accounting policies of the JVCo.

(i) The Joint Venture Agreement provides for pre-emption rights in respect of the transfer of equity interests in the JVCo and the priority of the parties to subscribe for new equity interest if and when the JVCo increases its capital.

(j) The Joint Venture Agreement contemplates that profit distributed to CEFC HK and the JV Partner shall not be less than 30% of the JVCo's accumulated profit in each financial year.

(k) The Joint Venture Agreement is governed by PRC law and regulations, and shall only take effect upon the approval by the relevant authorities in the PRC.

3.1.2 The total estimated costs to be incurred by JVCo for the Land and for the construction and development of the Facilities under the Proposed Joint Venture (the "**Total Project Cost**") is approximately RMB700 million. It is envisaged that RMB350 million will be funded by the JVCo's paid in capital and that the balance RMB350 million will be funded by the JVCo by way of bank borrowings.

3.1.3 The construction of the Facilities is expected to commence following the establishment of the JVCo, and barring unforeseen circumstances, it is expected that the construction period for the Facilities will be approximately two (2) years.

3.1.4 It is intended that the JVCo will subsequently enter into agreement(s) with the JV Partner for the JV Partner to oversee the construction and operational management of the Facilities.

3.2 Relative Figures under Chapter 10 of the Listing Manual

(a) General

Under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), a transaction will be classified as a "major transaction" if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 20% and if so, shareholders' approval must be obtained for the "major transaction".

(b) Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Joint Venture, are set out below.

Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable as this is not a disposal of assets.
Rule 1006(b) – the net profits attributable to the assets acquired or disposed, compared with Group's net losses	Not applicable as this is a greenfield investment by the Group and the JVCo has yet to commence operations.
Rule 1006(c) – the aggregate value of the consideration given or received, compared with the Company's market capitalization(1) based on the total number of issued shares excluding treasury shares	By applying the cash amount of RMB171.5 million to be contributed by CEFC HK for the CEFC Equity Stake as the consideration payable by the Group, the relative figure would be 28.2%. By applying CEFC HK's 49% share of the entire Total Project Cost of RMB700 million (i.e. RMB343 million) as the consideration payable by the Group, the relative figure would be 56.5%.
Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities are to be issued by the Company as consideration.
Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.

Note:-

(1) The Company's market capitalization of approximately S$122.4 million is based on the total number of issued ordinary shares in the capital of the Company (the "**Shares**") of 3,527,654,875 and the weighted average price of S$0.0347 per Share on 29 July 2014, being the market day preceding the date of the Joint Venture Agreement.

(c) Major Transaction

As the relative figures computed on the bases set out in Rule 1006(c) exceeds 20%, the Proposed Joint Venture constitutes a major transaction as defined in Chapter 10 of the Listing Manual. Accordingly, under Rule 1014(2) of the Listing Manual, the Proposed Joint Venture is required to be made conditional upon the approval by shareholders of the Company in a general meeting.

3.3 Waiver granted by the SGX-ST

3.3.1 The Company had sought a waiver from the SGX-ST from the requirement under Rule 1014(2) of the Listing Manual for the Joint Venture Agreement to be conditional upon approval by shareholders of the Company, for *inter alia*, the following reasons:

(a) the Proposed Joint Venture is an expansion of the Group's existing core business of trading in petrol and raw materials used for blending gasoline, petrochemicals and fuel oil (the "**Current Core Business**") in line with its growth strategies, which the Company had previously alluded to in its circular to shareholders dated 8 May 2012 to seek shareholders' approval for its Current Core Business activities (the "**Change of Business Circular**");

(b) the Proposed Joint Venture is not expected to significantly change the risk profile of the Company and the Group as:

(i) the Proposed Joint Venture does not increase the scale of the Group's operations significantly as the relative figures computed on the basis set out in Rule 1006(c) does not exceed 100%;

(ii) there is no resulting change in control of the Company as a result of the Proposed Joint Venture;

(iii) the Proposed Joint Venture is not expected to have a significant adverse impact on the Company's earnings, working capital and gearing; and

(iv) the Proposed Joint Venture is in the PRC, which is an existing core market of the Group;

(c) the Proposed Joint Venture presents a commercially attractive opportunity for the Group; and

(d) the obtaining of shareholders' approval is a certainty.

The controlling shareholder of the Company, Singapore Petrochemical & Energy Development Pte. Ltd. ("**SPED**"), holds 76.58% shareholding interests in the Company. Mr Ye Jianming, the former Executive Chairman of the Company, owns 66.67% of SPED and the balance 33.33% is owned by China United Association (HK) Ltd ("**China United**"). The shares in China United are 90% owned by Mr Ye and the other 10% is owned by Mr Zang Jian Jun, the Executive Chairman and Chief Executive Director of the Company. It is therefore a certainty that Shareholders' approval will be obtained as Mr Ye is supportive of the transaction.

3.3.2 Further to the Company's application, the SGX-ST had on 7 July 2014 granted the Company a waiver from compliance with Rule 1014(2), subject to the following:

(a) announcement via SGXNET of:

(i) the waiver granted, the Company's reasons for seeking the waiver and the conditions as required under Listing Rule 107; and

(ii) full details of the Proposed Joint Venture, including information required under Rule 1010 of the Listing Manual;

(b) submission of a written undertaking from the Company that it will seek shareholders' ratification for the Proposed Joint Venture within three (3) months from the date of entering into the Proposed Joint Venture at an extraordinary general meeting ("**EGM**");

(c) the controlling shareholder of the Company, Mr Ye Jianming, who currently has an effecting interest of 74.03% of the Company's issued share capital, providing a written undertaking to the Company prior to the Company entering into the Proposed Joint Venture that (i) he will vote in favour of the shareholders' resolution to ratify the Proposed Joint Venture; and (ii) he will not decease his shareholdings in the Company to below 51% until after the EGM is held; and

(d) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

3.3.3 As at the date of this Announcement, the Company has submitted the written undertaking and written confirmation referred to in paragraphs 3.3.2(b) and (d) respectively to the SGX-ST, and that Mr Ye Jianming has provided to the Company the written undertaking referred to in paragraph 3.3.2(c) prior to the Company's entry into the Joint Venture Agreement.

4 RATIONALE FOR THE PROPOSED JOINT VENTURE

The Company had in its Change of Business Circular stated *inter alia* its intention to develop the Current Core Business in three (3) stages, which can be briefly summarised as follows:

Stage 1: To undertake and develop the Current Core Business in the PRC and to source for customers and suppliers there;

Stage 2: While establishing and maintaining the Current Core Business in the PRC, to expand the business into the Southeast Asia region. At the same time, the Company would at this stage also explore possibilities of setting up storage facilities in Singapore or other Southeast Asia countries to facilitate the business; and

Stage 3: To expand the Current Core Business internationally. To do so, the Company intends, amongst other things, to look into establishing warehouse bases worldwide (through the acquisition and/or control of petrochemical depots) and securing loading facilities to expand and support its global trading operations.

Further details of the above are set out in Section 2.2 of the Change of Business Circular.

Since August 2013, the Group has been reviewing and exploring expansion opportunities along the distribution chain for petroleum and petrochemical products both vertically and horizontally, to venture into new areas, such as building up inventory and establishing storage facilities.

While the Group has been expanding its business presence in South East Asia and internationally, the PRC remains a core focus and market of the Group. With this, the Company believes that it is in Stage 2 and moving on to Stage 3 of its development of its Current Core Business, and that the Proposed Joint Venture represents the first step taken by the Group to establish a global warehouse base in line with its intentioned expansion plans for the Current Core Business under Stage 3.

The Board believes that the Proposed Joint Venture presents the Group with a commercially attractive investment opportunity in the PRC for the Group to grow and expand its existing business through the setting up of its own storage facilities, for the following reasons:

(i) RPG and the JV Partner have the experience and expertise, and a successful track record in operating similar storage facilities (namely, the Existing Facilities) at the Rizhao Port;

(ii) the JVCo has a competitive edge over operators of other storage facilities in Rizhao, as the Facilities will be the only other oil storage facility within the Rizhao Port area other than the Existing Facilities owned and operated by the JV Partner. The Company understands that besides the Facilities to be constructed by the JVCo, there is also currently no available land within the Rizhao Port for the development of any other storage facilities;

(iii) the Proposed Joint Venture represents an initial step by the Group to explore future collaboration with the JV Partner and the RPG group and is expected to increase the Group's profile considering the size and significance of the Rizhao Port; and

(iv) the Group will be able to leverage on its inventory of oil and petrochemical products stored at its Facilities to increase its trade volume and margins, and any surplus capacity of the Facilities may be leased to third parties to generate additional revenue and cross-selling opportunities for the Group.

In light of the foregoing, the Board believes that the Proposed Joint Venture would further the Group's objective in expanding its core business globally and achieve commercial benefits for the Group, and as such, it is in the interest of the Group to proceed with the Proposed Joint Venture.

5 FUNDING

As announced by the Company on 12 May 2014, the major shareholder of the Company, SPED, will be extending a shareholders' loan of US$300 million in 2014. Such loan is expected to be interest-free and not expected to be repaid in the next 12 months. If required, part of this loan could be used to fund the initial funding requirements of the Group for this project, but in the meantime the Company will be exploring various other fund raising or financing options.

6 FINANCIAL EFFECTS OF THE PROPOSED JOINT VENTURE

As the Proposed Joint Venture represents a greenfield investment by the Group and the JVCo has yet to be established and the Facilities have yet to be constructed, there are no net profits attributable to the CEFC Equity Stake at this time.

Following the Company's entry into the Joint Venture Agreement, the JVCo will be set up. As stated in paragraph 3.1.3 of this Announcement, the construction of the Facilities is expected to commence following the establishment of the JVCo, and barring unforeseen circumstances, it is expected that the construction period will be approximately two (2) years.

During the construction period, the JVCo will not be operational and costs incurred for the construction of the Facilities will primarily be capitalized by the JVCo.

In light of the foregoing and assuming that the CEFC Equity Stake is funded by way of the shareholders' loan to be extended by SPED as referred to in paragraph 5 of this Announcement, the Group's investment in the Proposed Joint Venture is not expected to have a material impact on:

(i) the net tangible assets per share, working capital and gearing of the Group for its financial year ended 31 December 2013 ("**FY2013**"), being its most recently completed financial year, on the basis that the completion of the acquisition by the Group of the CEFC Equity Stake had been effected on 31 December 2013; and

(ii) the earnings per share of the Group for FY2013, on the basis that the completion of the acquisition by the Group of the CEFC Equity Stake had been effected on 1 January 2013.

7 SERVICE AGREEMENTS

No new directors are proposed to be appointed to the Board in connection with the Proposed Joint Venture. As such, no service agreements will be entered into with any new director of the Company in connection with the transactions.

8 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED JOINT VENTURE

To the best knowledge of the Directors, other than their interests (if any) in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Joint Venture.

9 CIRCULAR TO SHAREHOLDERS

As stated in paragraph 3.3 of this Announcement, the Company has undertaken to the SGX-ST that it will seek shareholders' ratification for the Proposed Joint Venture within three (3) months from the date of entering into the Proposed Joint Venture at an EGM.

A circular to shareholders setting out further information on the Proposed Joint Venture and to seek shareholders' ratification of the Group's entry into the Joint Venture Agreement, together with the notice of EGM to be convened, will be dispatched to shareholders in due course.

10 DOCUMENTS FOR INSPECTION

A copy of the Joint Venture Agreement is available for inspection during normal business hours at the registered office of the Company at 80 Raffles Place #12-20 UOB Plaza 2, Singapore 048624, for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD

Zang Jian Jun
Executive Chairman
31 July 2014