

AP OIL INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 197502257M)
(the “**Company**”)

THE PROPOSED TRANSFER OF THE BUSINESS RELATED TO THE MANUFACTURING AND TRADING OF LUBRICANTS AND SPECIALTY CHEMICALS (THE “BUSINESS”) TO AP OIL PTE. LTD., A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The board of directors (the “**Board**”) of the Company wishes to announce that the Company had on 6 March 2015 entered into a business transfer agreement (the “**Business Transfer Agreement**”) to sell the Transfer Assets (as set out in paragraph 2.1 below) in connection with the Business to AP Oil Pte. Ltd. (the “**Transferee**”), a wholly-owned subsidiary of the Company, with a view of having the Transferee carry on the Business from the Transfer Date (as defined below) as a going concern in succession to the Company for the Consideration (as defined below), on the terms and subject to the conditions of the Business Transfer Agreement (the “**Proposed Business Transfer**”).

The Proposed Business Transfer constitutes a disposal of the whole or substantially the whole of the Company’s property or undertaking under Chapter 160 of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”). Accordingly, the Proposed Business Transfer is subject to the approval of the shareholders of the Company (the “**Shareholders**”) by ordinary resolution at an extraordinary general meeting of the Company (the “**EGM**”) to be convened.

Upon completion of the Proposed Business Transfer, the Company’s business activities shall be that of an investment holding company whilst the Transferee (being a wholly-owned subsidiary of the Company) shall carry on with the Business.

2. THE PROPOSED BUSINESS TRANSFER

2.1 Information on the Transfer Assets in connection with the Business

Subject to the satisfaction of the Conditions (as defined below), the assets in connection with the Business to be sold to the Transferee pursuant to the Proposed Business Transfer shall comprise the following:

- (a) all the plant, machinery, spare parts, tools, equipment (including office equipment), tangible chattels (including computers), motor vehicles, furniture, fixtures and fittings owned and used by the Company in connection with the Business, and as set out further in the Business Transfer Agreement (the “**Equipment**”);
- (b) the stock-in-trade of the Business on the Transfer Date, including raw materials, components, work-in-progress and finished goods (the “**Stocks**”) (valued based on their net book value, as reflected in the management accounts of the Company for the month ended 30 April 2015);
- (c) the benefit (subject to the burden) of all contracts and engagements entered into or orders made before the Transfer Date by or on behalf of the Company with third parties in connection with the Business which remain (in whole or in part) to be performed at the Transfer Date, including (but without limitation) all orders and contracts for the manufacture, sale or purchase of goods or provision or supply of services or for the hire purchase, credit sale, leasing or licence of goods or services and as described in the Business Transfer Agreement (the “**Contracts**”);

- (d) all information relating to the Business, including, without limitation, industrial and commercial information and techniques including (but not limited to) drawings, formulae, test reports, operating and testing procedures, shop practices, instruction manuals and tables of operating conditions and including all information relating to the supply of any materials to the Business and to the marketing of any products or services supplied by the Business, including customer names and lists, sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials (the “**Information**”), records and other documents relating to the Business; and
- (e) such freely transferable cash funds equivalent to S\$10,000,000 less: (i) S\$352,572 being the net book value of the assets in paragraph 2.1 (a), (c) and (d) above (collectively, the “**Certain Assets**”); and (ii) the net book value of the Stocks determined based on their net book value, as reflected in the management accounts of the Company for the month ended 30 April 2015 (the “**Cash Sum**”),

(collectively, the “**Transfer Assets**”).

Under the terms of the Business Transfer Agreement, the Company shall sell the Transfer Assets free from all liens, charges and encumbrances and other rights exercisable by third parties. Property and risk in such Transfer Assets shall vest in the Transferee on the Transfer Date.

2.2 Grant of sub-lease over the Property

Subject to the satisfaction of the Conditions, the Company shall grant a sub-lease over the property located at 30 Gul Crescent, Singapore 629535 (the “**Property**”), which shall expire on 31 March 2041, to the Transferee.

2.3 Transfer of employment of employees

Under the terms of the Business Transfer Agreement, the Company shall make arrangements for the employees who are engaged in the Business to be employed by the Transferee.

2.4 Information on the Transferee

As at the date of the Business Transfer Agreement, the Transferee is a private limited company incorporated in Singapore, and is a wholly-owned subsidiary of the Company. The Transferee is principally engaged in the business of: (i) the manufacture of petroleum lubricating oil, including the wholesale of oil and fuel and dealing in paraffin wax, lubricating oils and greases; and (ii) the wholesale of solid, liquid and gaseous fuels and related products (for example, bitumen), including petroleum products and petrochemicals.

2.5 Rationale for the Proposed Business Transfer

The Board, after careful consideration, is of the view that it is in the best interests of the the Company and its subsidiaries (the “**Group**”) to undertake the Proposed Business Transfer, as it is in line with the Group’s on-going strategy to streamline its corporate structure and business activities within the Group.

Upon completion of the Proposed Business Transfer, the Transferee will remain as a wholly-owned subsidiary of the Company, and the Company’s business activities shall be that of an investment holding company, whilst the Transferee shall carry on with the Business as a going concern.

Taking into account the above and the current operating conditions and the prospects of the Business, the Board, after careful consideration, is of the view that the Proposed Business Transfer is in the best interests of the Group.

2.6 Consideration for the Proposed Business Transfer

2.6.1 The consideration payable by the Transferee for the Transfer Assets shall be the sum of S\$10,000,000 as follows:

- (a) the Certain Assets, S\$352,572;
- (b) the Stocks, an amount which shall be determined based on their net book value, as reflected in the management accounts of the Company for the month ended 30 April 2015; and
- (c) the Cash Sum,

(collectively, the “**Consideration**”).

2.6.2 The Consideration shall be satisfied by the Transferee on the Transfer Date through the issuance of 10,000,000 issued and paid up shares in the capital of the Transferee by the Transferee to the Company at the price of S\$1.00 per share in the capital of the Transferee.

2.7 Salient Terms of the Business Transfer Agreement

2.7.1 Conditions Precedent

Under the terms of the Business Transfer Agreement, the transfer of the Business is subject to the following conditions:

- (a) the Company having obtained all necessary approvals, waivers or consents as may be required for the Proposed Business Transfer, including, but not limited to, the approval by Shareholders pursuant to Section 160 of the Companies Act, at the EGM to be convened;
- (b) the Company having obtained the relevant consent from the Jurong Town Corporation for the sub-lease of the Property to the Transferee;
- (c) the Transferee having obtained all necessary approvals, waivers or consents as may be required for the issuance of the issued and paid up shares in the capital of the Transferee under the terms and subject to the conditions of the Business Transfer Agreement; and
- (d) there being no material adverse change in the business, operations, assets, financial condition, trading position, turnover or prospects of the Company since the date of signing of the Business Transfer Agreement,

(collectively, the “**Conditions**”).

The Conditions shall be fulfilled by the Transfer Date. If any of the Conditions shall not be fulfilled by the Transfer Date or such other date as the Transferee and the Company shall mutually agree in writing, the Business Transfer Agreement shall *ipso facto* cease and determine and neither the Transferee or the Company shall have any claim against the other for costs, damages, compensation or otherwise, save for any rights, claims or remedies available or already accrued to a party to the Business Transfer Agreement prior to termination.

2.7.2 Transfer Date

Against satisfaction of the Conditions (including Shareholders' approval for the Proposed Business Transfer at the EGM), the sale of the Transfer Assets shall take place on 2 May 2015 at 12.00 p.m. (or such other date and time as the Company and the Transferee may agree) (the "**Transfer Date**").

Subject to satisfaction of the Conditions, the Company shall on the Transfer Date:

- (a) let the Transferee into possession of the Transfer Assets and occupation of the Property;
- (b) sub-lease to the Transferee the Property and deliver to the Transferee the relevant lease documents on the Transfer Date; and
- (c) deliver to the Transferee assignments or novation agreements in respect of the Contracts and the Information and all other records, documents, lists, catalogues, literature and material as are included in, or relate to, the Transfer Assets.

Against the performance by the Company of its obligations set out above, the Transferee shall pay the Consideration to the Company.

2.8 Financial Effects of the Proposed Business Transfer

- 2.8.1 The Proposed Business Transfer was financed through internal resources and is not expected to have any impact on the net tangible assets per share of the Group ("**Share**"), assuming that the Proposed Business Transfer had been completed on 31 December 2014, and the earnings per Share, assuming that the Proposed Business Transfer had been completed on 1 January 2014.

The *pro forma* financial effects of the Proposed Business Transfer on the Group have been prepared based on the Group's unaudited consolidated financial statements for the financial year ended 31 December 2014. These *pro forma* financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after the completion of the Proposed Business Transfer.

(A) Net Tangible Asset ("**NTA**")

Assuming that the Proposed Business Transfer had been completed on 31 December 2014, the Proposed Business Transfer would not have any effect on the NTA per Share as at 31 December 2014, as illustrated below:

	Before the Proposed Business Transfer	After the Proposed Business Transfer
NTA (S\$'000)	46,346	46,346
Number of Shares	164,531,172	164,531,172
NTA per Share (cents)	28.17	28.17

(B) Earnings per Share ("**EPS**")

Assuming that the Proposed Business Transfer had been completed on 1 January 2014, the Proposed Business Transfer would not have any effect on the EPS for the financial year ended 31 December 2014, as illustrated below:

	Before the Proposed Business Transfer	After the Proposed Business Transfer
Profit/(Loss) attributable to Shareholders	4,995	4,995

(S\$'000)		
Number of Shares	164,531,172	164,531,172
EPS (cents)	3.04	3.04

2.9 Shareholders' Approval required for the Proposed Business Transfer

Section 160 of the Companies Act provides, amongst others, that the directors of the Company shall not carry into effect any proposals for disposing of the whole or substantially the whole of the Company's undertaking or property unless these proposals have been approved by the Company in general meeting. As the Proposed Business Transfer would constitute a disposal by the Company of the whole or substantially the whole of its Business to the Transferee, the Company is required to obtain Shareholders' approval for the Proposed Business Transfer.

3. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Save for their respective directorships and shareholdings in the Company, if any, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Business Transfer.

4. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Business Transfer Agreement will be made available for inspection during normal business hours at the Company's registered office at 30 Gul Crescent, Jurong, Singapore 629535 for a period of three months commencing from the date of this announcement.

5. EXTRAORDINARY GENERAL MEETING AND CIRCULAR

The Proposed Business Transfer constitutes a disposal of the whole or substantially the whole of the Company's property or undertaking under Chapter 160 of the Companies Act. Pursuant to Section 160 of the Companies Act, the Company is required to obtain Shareholders' approval for the Proposed Business Transfer.

A circular containing further details on the Proposed Business Transfer and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

BY ORDER OF THE BOARD

Dr. Ho Leng Woon

Chairman, Chief Executive Officer and Managing Director
6 March 2015