



CEFC INTERNATIONAL LIMITED
(Incorporated in Bermuda)
(Company Registration No. 35733)
(the “**Company**”)

TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF 100% OF THE SHARE CAPITAL OF CEFC ASSETS MANAGEMENT & EQUITY INVESTMENT (HONG KONG) CO., LIMITED

1. INTRODUCTION

The Board of Directors of the Company wishes to announce that the Company has on 3 August 2016 entered into a non-binding term sheet (the “**Term Sheet**”) with CEFC Shanghai Group Assets Management Co., Ltd (the “**Seller**”) for the Company or its nominated subsidiary (the “**Purchaser**”) to acquire 100% of the shares (the “**Target Shares**”) in the share capital of CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited (the “**Target**”) (the “**Proposed Acquisition**”).

The Term Sheet is not intended to be legally binding between the Seller and the Company (the “**Parties**”) and is subject to, amongst others, the entry into a conditional sale and purchase agreement between the Parties in relation to the Proposed Acquisition (the “**Definitive SPA**”).

2. INFORMATION ON THE TARGET COMPANIES AND THE SELLER

2.1 Information on the Target Companies

The Target is a company incorporated in Hong Kong and owns 51% interest in Rompetrol France SAS (“**Rompetrol France**”), a French simplified stock corporation. The remaining 49% interest in Rompetrol France is owned by KMG International NV (“**KMGI**”). The Target and KMGI had previously entered into a sale and purchase agreement dated 17 September 2015 when the Target acquired 51% interest in Rompetrol France (the “**Asset**”) from KMGI previously and are parties to a shareholder’s agreement dated 16 December 2015 (the “**Shareholder’s Agreement**”) in respect of their current shareholdings in Rompetrol France.

Rompetrol France is the holding company of Dyneff SAS (“**Dyneff**”), one of the leading independent fuel distributors in France with business operations in France and Spain. Dyneff offers a full choice of motor fuels, biofuels, heating fuels, supplementary products and services that fulfill all the market requirements and has played an active role in the fuel distribution sector for more than 50 years covering three distribution channels: filling stations, a network of commercial agencies and two wholesale agencies. Dyneff also has large-scale logistics infrastructure in France and Spain, with strategic capabilities at the main Mediterranean and Atlantic ports.

The Target and its subsidiaries (which includes, amongst others, Rompetrol France and Dyneff) shall be collectively referred to as the “**Target Companies**”.

2.2 Information on the Seller

The Seller is an indirect subsidiary of CEFC Shanghai International Group Limited, which is in turn a subsidiary of CEFC China Energy Company Limited.

2.3 As previously clarified in the announcements dated 8 September 2015 and 12 July 2016, despite the similarities in corporate name, the Company is not part of CEFC China Energy Company Limited's group of companies.

2.4 The information provided in paragraphs 2.1 and 2.2 above have been provided by the Seller. The Company has not independently verified the accuracy and correctness of such information and the sole responsibility of the Company has been to ensure that such information has been accurately and correctly extracted and reproduced in this announcement in its proper form and context.

3. PRINCIPAL TERMS OF THE TERM SHEET

3.1 Consideration

The purchase consideration for the Proposed Acquisition of 100% of the share capital of the Target is US\$20,500,000 ("**Purchase Consideration**") and is subject to (i) an adjustment on completion of the Proposed Acquisition ("**Completion**") to take into account any variations to the Valuation (as defined below); and/or (ii) a downwards adjustment on Completion to take into account the aggregate liabilities owing by the Target as at Completion (save for certain loan amounts owing from the Target to the Seller's associated company).

The Purchase Consideration shall be the lower of the:

- (a) previous transaction valuation of the Asset pursuant to the acquisition by the Target of the Asset from KMGI previously; and
- (b) valuation of the Target as reported by a reputable independent valuer to be appointed by the Purchaser,

subject to the implied valuation ratios of the Target, as implied by the Purchase Consideration, being within the range of the valuation ratios of similar downstream oil companies in Europe (collectively, the "**Valuation**").

The Purchase Consideration, after any adjustment, will be satisfied by the issuance of new shares in the Company to the Seller (the "**Consideration Shares**") at an issue price which will be the higher of:

- (a) the volume-weighted average price of the shares of the Company (the "**Shares**") for trades done on the SGX-ST for the last five full market days where the Shares were traded prior to the date that the Definitive SPA is signed; or
- (b) the price representing a discount of 10% to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the Definitive SPA is signed or (if trading in the Shares is not available for a full market day) for the preceding market day up to the time that the Definitive SPA is signed.

The Consideration Shares, when issued and allotted, shall rank *pari passu* in all respects with the existing Shares in the capital of the Company.

The Purchase Consideration was agreed upon after arm's length negotiations between the Parties on a willing-buyer, willing-seller basis, and was arrived at after taking into account, amongst others, the previous transaction valuation of the Asset pursuant to the purchase of the Asset by the Target from KMGI previously.

3.2 **Conditions**

The signing of the Definitive SPA shall be subject to certain conditions precedent, including but not limited to:

- (a) the Seller providing to the Company the consolidated financial accounts of the Target, in a form satisfactory to the Company;
- (b) the approval from the board of directors of the Seller and Purchaser and the shareholders of the Seller having been obtained for the signing of the Definitive SPA; and
- (c) written confirmation received by the Seller from by KMGI that KMGI has waived their pre-emption rights, tag-along rights and any other restrictions on the Proposed Acquisition under the Shareholder's Agreement.

3.3 **Definitive Agreement**

The Company is conducting due diligence on the Target Companies in connection with the Proposed Acquisition and Parties will negotiate in good faith with a view towards finalizing and executing the Definitive SPA in respect of the Proposed Acquisition. The final terms and conditions of the Proposed Acquisition are subject to the execution of the Definitive SPA.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is part of the Company's strategy of enhancing its global presence in its core business of oil and petrochemical trading for its long-term growth. In particular, the Company is of the view that the Proposed Acquisition will yield benefits in the following areas:

(a) **Synergies with the Company's strategic plans**

The Proposed Acquisition fits in with the Company's strategic plans to gain a foothold in Europe's mid to downstream oil and gas industry assets. Dyneff's existing oil and gas distribution network, logistics and storage facilities in Europe will be a strategic fit in line with the Company's expansion plans.

(b) **Establishment of an investment and financing platform in Europe**

Rompétrol France's established footprint in Europe and excellent relationships with the local banks and regional oil and gas players will be beneficial for the Company in capitalizing on the low funding cost and identifying investment opportunities to set up an investment and financing platform in Europe.

(c) **Attracting strategic investors**

With the Purchase Consideration to be satisfied by the issuance of the Consideration Shares, the Company will be able to have a group company of CEFC China Energy Company Limited, which is a company on the *Fortune* Global 500

List, onboard as a strategic investor and which is expected to boost investors' confidence in the Company.

d) Scaling up of the Group's operations

The Proposed Acquisition is earnings accretive and will increase the Group's scale of operations on the global platform. The larger scale of business operations will enhance the Group's market position and open doors to more business and investment opportunities.

5. DIESEL SUPPLY ARRANGEMENT

As previously announced by the Company on 18 January 2016, the Company's wholly-owned subsidiary, Singapore CEFC Petrochemical & Energy Pte. Ltd., ("**SPE**") had entered into a diesel supply arrangement with Dyneff for a one-year period from 1 January 2016 to 31 December 2016.

With Dyneff's extensive industry experience and established track record, the Company is of the view that Dyneff is capable of handling its own sourcing for business efficiency reasons. This is also in line with the Company's strategy to shift part of its trading focus onto the platform in Europe in the future. In view of the signing of the Term Sheet, SPE and Dyneff have mutually agreed to an early termination of the diesel supply arrangement with effect from 22 July 2016. In the event that the Definitive SPA is entered into and the Proposed Acquisition is completed, Dyneff will become a subsidiary of the Company.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1 Mr Zang Jian Jun, Mr Lu Da Chuan and Mr Liu Zhong Qiu are executive directors of the Company and are also directors of CEFC China Energy Company Limited, the ultimate holding company of the Seller. Mr Zang Jian Jun, the executive chairman and executive director of the Company also has an approximately 7% indirect effective interest in the Seller. Mr Ye Jian Ming, the controlling shareholder of the Company, is also the Executive Chairman of CEFC China Energy Company Limited.

6.2 Save as disclosed in paragraph 6.1 above, none of the directors and substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition other than through their respective shareholdings in the Company (if any).

7. FURTHER ANNOUNCEMENTS

The Company will make further announcements upon the execution of the Definitive SPA and/or when there are material developments in respect of the Proposed Acquisition.

8. TRADING CAUTION

Shareholders of the Company are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Definitive SPA will be entered into on the terms and conditions set out in the Term Sheet or that the Proposed Acquisition will be undertaken at all. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board

Lu Da Chuan
Executive Director
3 August 2016