



AP OIL INTERNATIONAL LIMITED
(Company Registration No. 197502257M)
(Incorporated in the Republic of Singapore)

AP OIL INTERNATIONAL LIMITED ENTERS INTO JOINT VENTURE TO UNDERTAKE FINANCIAL LEASING BUSINESS IN CHONGQING, THE PEOPLE'S REPUBLIC OF CHINA

1. INTRODUCTION

AP Oil International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has entered into a joint venture with MoneyMax Financial Services Ltd. (“**MoneyMax**”), 重庆宗申动力机械股份有限公司 (“**Zongshen**”), and 重庆保税港区开发管理集团有限公司 (“**Free Trade Port Co**”, and collectively with the Company, MoneyMax and Zongshen, the “**JV Partners**”) for the purpose of undertaking the financial leasing business in Chongqing, the People's Republic of China (“**PRC**”) (the “**Joint Venture**”).

Pursuant to the legal documentation entered into between the Company and the other JV Partners in relation to the Joint Venture on 18 October 2016 (“**JVA**”), the Company will participate in the Joint Venture through the subscription of equity interest in a joint venture company to be incorporated (the “**JV Company**”), representing 12.5% of the equity interests of the JV Company, for a cash consideration of RMB25.0 million (or approximately S\$5.15 million based on the exchange rate of RMB1: S\$0.2058) (the “**Capital Contribution**”).

2. INFORMATION ON THE JOINT VENTURE

2.1 Information on the JV Company

The JV Company shall be incorporated as a limited liability company under the laws of the PRC. It will principally be engaged in the business of financial leasing (including consulting and guarantee of leasing, as well as leasing related technology development and services) in Chongqing, PRC.

The JV Company shall have an initial registered capital of RMB200 million, and the shareholding structure will be as follows:

| JV Partner | Equity interest in the JV Company (% of Total Equity) |
|------------------------------|--|
| AP Oil International Limited | 12.5% |
| MoneyMax | 12.5% |
| Zongshen | 70.0% |
| Free Trade Port Co | 5.0% |

2.2 Information on the JV Partners

MoneyMax is a company limited by shares incorporated in Singapore and listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). It is principally engaged in the business of pawnbroking, retail and trading of pre-owned jewellery, watches and luxury bags.

Zongshen is a company incorporated in the PRC and listed on the Shenzhen Stock Exchange. It is a subsidiary of the Zongshen Industrial Group, a large PRC-based manufacturing group making a variety of specialised small-size thermal power machinery. Zongshen's businesses include provision of financial services and manufacture of motorcycle engines.

Free Trade Port Co is a company incorporated in the PRC, under the Chongqing State-Owned Assets Supervision and Administration Commission. It is responsible for the development and management of the Chongqing Free Trade Port Area, investing directly in businesses and assets located within such area.

The aforementioned JV Partners are independent third parties and not related to the Company or its Directors or controlling shareholders (as defined in the Listing Manual of the SGX-ST ("**Listing Manual**")).

2.3 Principal terms of the Joint Venture

(a) Capital Contribution

The Capital Contribution is to be satisfied within 60 days after the JV Company obtains its business licence from the relevant authorities in the PRC.

The Capital Contribution was determined based on arm's length negotiation between the Company and the other JV Partners, and arrived at after taking into account the capital requirement of the JV Company.

(b) Directors

The Board of directors of the JV Company shall comprise of 7 directors. The Company, MoneyMax and Free Trade Port Co shall each be entitled to nominate one director, and Zongshen shall be entitled to nominate 4 directors. The Chairman of the Board of directors of the JV Company (who shall also be the legal representative of the JV Company) shall be designated by Zongshen. The Vice-Chairman shall be jointly designated by the Company and MoneyMax and the Supervisor shall be designated by Free Trade Port Co.

(c) Put Option

Under the JVA, Zongshen has granted the Company and MoneyMax a put option ("**Put Option**"), at any time commencing from 1 January 2018, to sell to Zongshen all or part of their shareholding in the JV Company for a consideration based on an agreed market valuation as determined by an approved valuer, which shall not be less than the initial capital contribution of the Company and MoneyMax (as the case may be).

(d) Tag-Along Rights

If Zongshen wishes to transfer all or part of its equity interests in the JV Company to any third party, the Company and MoneyMax shall have the right to transfer all or part of their equity interest in the JV Company together with Zongshen at the same price and on the same terms and conditions ("**Tag-Along Right**").

The exercise of the Put Option or the Tag-Along Right shall be subject to approval from shareholders of the Company, to the extent that is required under Chapter 10 of the Listing Manual.

2.4 Rationale for the Joint Venture

This Joint Venture is an important collaboration with Zongshen, a strategic business partner of the Group in the PRC. It is an expansion of the existing supplier and customer relationship between the Group and a subsidiary of Zongshen in the municipality of Chongqing. As Zongshen is a large PRC-based manufacturing business, the Group intends to explore other business opportunities with the subsidiaries of Zongshen. Having considered the terms and benefits of the Joint Venture, the Directors are of the view that entering into the Joint Venture is in the best interests of the Company.

2.5 Source of Funds

The Capital Contribution will be funded by internal funds and bank borrowings.

2.6 Relative Figures under Chapter 10 of the Listing Manual

Based on the latest announced financial statements of the Group for the six-month period ended 30 June 2016, the relative figure for the Joint Venture computed under Rule 1006(c) is 12.3%, which exceeds 5% but does not exceed 20%. This is based on the market capitalisation of the Company as at 17 October 2016 (being the last market day preceding the date of the JVA during which trades were conducted), which was approximately S\$42 million. The other relative figures under Rules 1006 (a), (b), (d) and (e) for the Joint Venture are not applicable.

Accordingly, the Joint Venture constitutes a “disclosable transaction” for the purposes of Chapter 10 of the Listing Manual, and is not subject to the approval of the shareholders of the Company.

2.7 Financial Effects of the Joint Venture

The financial effects of the Joint Venture are presented for illustration purposes only and do not necessarily reflect the actual financial performance and position of the Group following the Joint Venture. The figures presented below have been prepared based on the Group’s audited consolidated financial statements of the Group for the financial year ended 31 December 2015 and the value of the Company’s Capital Contribution.

(a) Net Tangible Assets (“NTA”)

Had the Capital Contribution been completed on 31 December 2015, the Joint Venture would have had the following financial effects on the Group’s NTA per share:

| | Before the Joint Venture | After the Joint Venture |
|---|---------------------------------|--------------------------------|
| NTA attributable to shareholders of the Company (S\$'000) | 51,819 | 51,711 |
| Number of shares ('000) | 164,531 | 164,531 |
| NTA per share (cents) | 31.50 | 31.43 |

(b) Earnings per Share (“EPS”)

Had the Capital Contribution been completed on 1 January 2015, the Joint Venture would have had the following financial effects on the Group’s EPS:

| | Before the Joint Venture | After the Joint Venture |
|--|-------------------------------------|------------------------------------|
| Net profit attributable to shareholders of the Company (S\$'000) | 4,221 | 4,113 |
| Weighted average number of shares ('000) | 164,531 | 164,531 |
| EPS (cents) | 2.57 | 2.50 |

(c) Gearing

The Joint Venture will have no material impact on the gearing of the Group.

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

4. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company, and no service contracts will be entered into by the Company in connection with the Joint Venture.

5. DOCUMENT AVAILABLE FOR INSPECTION

Shareholders should note that copies of the JVA will be 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 (3) months from the date hereof.

6. FURTHER ANNOUNCEMENT AND UPDATE

The Company will make further announcements on the Joint Venture as appropriate or when there are further developments on the same.

BY ORDER OF THE BOARD

Ho Chee Hon
Group Chief Executive Officer
18 October 2016