



中华能源国际有限公司

CEFC International Limited

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**FOR IMMEDIATE RELEASE**

## **SGX-listed CEFC partners a large PRC SOE in a RMB700 million greenfield investment to build and operate oil storage facilities in Rizhao port, Shandong**

- *JV Partner is a subsidiary of Rizhao Port Group, one of PRC's major players in the port management and operations business*
- *Rizhao port is PRC's ninth largest and Shandong's second biggest port, poised for rapid growth*
  - *JV marks CEFC's expansion into the oil storage business and presents future collaboration opportunities*

**SINGAPORE – 31 July 2014** – Mainboard-listed **CEFC International Limited** (“CEFC” or the “Company” and together with its subsidiaries, the “Group”, 中华能源国际有限公司), today announced that it is teaming up with a subsidiary of Rizhao Port Group Co., Ltd (“RPG”), a state-owned enterprise (“SOE”) in the People’s Republic of China (“PRC”) and a major player in port management and operations, to build and operate oil storage facilities with a total storage capacity of 600,000 cubic metres in Rizhao port, Shandong Province, PRC.

The proposed joint venture is between CEFC’s wholly-owned subsidiary, Hong Kong CEFC Petrochemical & Energy Pte, Ltd. (“CEFC HK”), and Rizhao Port Oil Terminal Co., Ltd (“JV Partner”, 日照港油品码头有限公司). A joint venture company will be incorporated in the PRC to undertake the project.

The total cost of the project, comprising land costs and construction and development of the oil storage facilities, to be undertaken by the joint venture company is estimated to be approximately RMB700 million. The joint venture company will have an initial registered capital of RMB350 million, with CEFC HK subscribing for a 49% total equity interest at a cash consideration of RMB171.5 million. The JV Partner will take up the remaining 51% stake for a consideration of RMB178.5 million to be satisfied by the JV Partner transferring to the joint venture company the land on which the facilities will be constructed, and if the value of the land is less than RMB178.5 million, the JV Partner will contribute the balance amount in cash. The balance RMB350 million of the total project cost will be funded by the joint venture company by way of bank borrowings.

This proposed joint venture into owning and operating oil storage facilities is in line with the Group's expansion plans in relation to its core business of trading in petrol and raw materials used for blending gasoline, petrochemicals and fuel oil.

Commenting on this new strategic investment, Mr Zang Jian Jun (“臧建军”), Executive Chairman and Chief Executive Officer of CEFC said, “The entry into the oil storage business is a major milestone for CEFC. We view this synergistic partnership with RPG as an extension of our turnaround story, where we have successfully restructured CEFC's business by moving from the previous loss-making beauty product business to a new strategic focus in the more profitable oil trading business.”

CEFC, formerly known as Sun East Group Limited, suffered consecutive years of financial losses stemming from its highly competitive beauty product business. Following its successful foray into the petrochemical and fuel oil and petroleum products trading business in late 2012, CEFC saw an immediate contribution from this new business to its bottom line which led to its exit from the watch-list of the Singapore Exchange on 7 August 2013. The Group turned around with a net profit of US\$0.20 million in FY2012, which increased further by 234% to US\$0.67 million in FY2013.

“Our strategy is to take on a multi-pronged approach to expand vertically and horizontally along the petroleum and petrochemical distribution value chain. We are excited about this greenfield investment in Rizhao port, which is PRC’s ninth largest and Shandong’s second biggest port with rapid growth potential. This collaboration with the state-owned RPG is expected to raise the Group’s profile as well as pave the way for future collaboration opportunities,” Mr Zang added.

Rizhao Port Oil Terminal Co., Ltd is currently the only company that owns and operates crude oil and fuel oil storage facilities within the Rizhao port, with storage capacity totalling 750,000 cubic metres. It also owns and operates the existing infrastructure of the Rizhao port, including utilities supply and related logistics support.

Drawing on the JV Partner’s expertise and experience, CEFC believes that the joint venture company will be able to successfully construct and manage the new oil storage facilities which will be undertaken by the JV Partner.

In addition, CEFC believes that the joint venture company will have a competitive edge in Rizhao port as the facilities will, other than the existing facilities owned and operated by the JV Partner, be the only oil storage facilities within the port area. CEFC also understands that besides the new facilities to be constructed by the joint venture company, there is also currently no available land within the Rizhao port for the development of other storage facilities.

On completion of the storage facilities, the Group will also be able to leverage on its inventory of oil and petrochemical products stored at the new facilities to increase its trade volume and margins, and surplus capacity of the facilities may be leased to third parties to generate additional revenue and cross-selling opportunities for the Group.

The construction of the storage facility is expected to commence following the establishment of the joint venture company and, barring unforeseen circumstances, will take approximately two years to complete.

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**About CEFC International Limited**

CEFC International Limited, an investment holding company, is engaged in trading of petrochemical, and fuel oil and petroleum products. The Group was formerly known as Sun East Group Limited and changed its name to CEFC International Limited in August 2012.

**About Rizhao Port (Group) Co., Ltd**

Rizhao Port (Group) Co., Ltd. engages in the provision of port loading and unloading, and cargo warehousing services for bulk cargoes in the People's Republic of China. The company transports bulk cargoes, such as coal, ores and cement, and iron and steel products; and offers loading and unloading, stockpiling, and port management services. It is also involved in the machinery manufacture, as well as communication and power engineering activities. The company is based in Rizhao, China.

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