UNION GAS HOLDINGS

2017 ANNUAL REPORT

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This document has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), this being the SGX-ST Listing Manual Section B: Rules of Catalist.

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The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist, Investment Banking, Singapore and Mr Lee Chee Cheong, Associate Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place, #09-01, Singapore Land Tower, Singapore 048623, Telephone: (65) 6337 5115.

CORPORATE **PROFILE**

An established provider of fuel products in Singapore with over 40 years of operating track record

Union Gas Holdings Limited (优联燃气控股有限公司) ("**Union Gas**" or the "**Company**", and together with its subsidiaries, the "**Group**") is an established provider of fuel products in Singapore with over 40 years of operating track record. Its three key businesses comprise Retail Liquefied Petroleum Gas ("**LPG**"), Compressed Natural Gas ("**CNG**"), and Diesel.

Union Gas is one of the leading suppliers of bottled LPG cylinders to domestic households in Singapore under the established and trusted brand "Union". With over 100 delivery vehicles, Union Gas operates one of the largest delivery fleets amongst the players in the sale of bottled LPG cylinders to domestic households in Singapore. This extensive distribution capability is further supported by an in-house call centre that operates all year round with a customised customer relationship management system. The Retail LPG Business today serves more than 140,000 domestic households in Singapore.

Union Gas produces, sells and distributes CNG at its fuel station in 50 Old Toh Tuck Road under the trusted "Cnergy" name. It is one of the leading suppliers of CNG primarily to natural gas vehicles and industrial customers for their commercial use. It also sells and distributes diesel to retail customers at its fuel station, as well as transports, distributes and bulk sells diesel to commercial and industrial customers.

Over the years, Union Gas has gained significant goodwill and confidence from its customers and earned a reputation for quality, reliability, consistency and safety. Committed to product and service quality, Union Gas works only with trusted suppliers to ensure the quality of its supplies. The Group also has a quality assurance system in its processes which includes product inspections and proper training for its drivers in product handling and transportation.

Union Gas was listed on the Catalist board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 21 July 2017 (SGX-ST stock code: 1F2).

For more information, please visit www.uniongas.com.sg

OUR BUSINESS

Retail LPG

We are involved in the retail distribution of bottled LPG cylinders and sale of LPG-related accessories, such as stoves, hoods, rubber hoses and regulators, to mainly domestic households in Singapore. Our small cylinders are also sold to dormitories and certain industrial customers, as well as for corporate and private events and functions.

We have a fleet of over 100 delivery vehicles to support island-wide distribution and a dedicated call-centre that operates all year-round to take customer orders. As part of our customer-oriented operations, we also have a "Fuel My Life" mobile app for customers to place orders on their smart devices.

Our bottled LPG cylinders are supplied by the UEC Group and are sold under the "Union" brand pursuant to a dealership agreement and a trade mark licence agreement. The cylinders come in 4.5 kg, 11 kg, 12.7 kg and 14 kg sizes, of which the 12.7 kg is the most popular.

As at 31 December 2017, we;

- operate one of the largest delivery fleets with more than 100 delivery vehicles;
- supply bottled LPG cylinders and LPG-related accessories to over 140,000 domestic households in Singapore;
- have a dedicated call centre manned by 37 personnel that operates all year round and a fully-computerised order-receiving, relaying and despatching system.

Retail Station

CNG Business

We operate a 24-hour fuel station under the brand "Cnergy" at 50 Old Toh Tuck Road to produce, sell and distribute CNG primarily to natural gas vehicles and industrial customers for their commercial use. The station has 14 CNG dispensers with two nozzles each and is open to the public.

Diesel Business

Since August 2015, we sell and distribute diesel to retail customers at our 24-hour fuel station, which operates under the brand "Cnergy" at 50 Old Toh Tuck Road. The station, which is open to the public, has five diesel dispensers with four nozzles each and two 20,000-litre underground diesel storage tanks which houses our diesel supply.

We also transport, distribute and bulk sell diesel to commercial and industrial customers.

MESSAGE TO SHAREHOLDERS

"We remain a cash generative business with strong operating cash flow and a healthy balance sheet. As at 31 December 2017, our cash and cash equivalents stood at S$16.1 million."

Dear Shareholders

It is our pleasure to present Union Gas Holdings' ("**Union Gas**" or together with its subsidiaries, the "**Group**") inaugural Annual Report for the financial year ended 31 December 2017 ("**FY2017**"). We want to take this opportunity to thank all shareholders for your support of our initial public offering ("**IPO**") that led to a very successful listing on 21 July 2017.

On the day of our listing, Union Gas's shares opened at 29.5 Singapore cents at the commencement of trading. We ended our first day of trading at 29.0 Singapore cents, 16.0% over our IPO price of 25.0 Singapore cents.

We are grateful for the positive response from the investing public and we assure all shareholders that the Management and Board of Directors will work hard to achieve sustainable and long term growth and progress for the Group.

Business Philosophy

Union Gas is a business whose history dates back to 1974 with a strong heritage of over 40 years in the industry. We believe our "Union" brand is a widely recognisable household brand for domestic LPG in Singapore. Our blue coloured LPG gas cylinders are frequently seen on the backs of our delivery trucks that ply the roads of Singapore to deliver the fuel to homes throughout the island.

Since inception, we have built our business on a customer-centric model and taken pride in our efficient and automated customer relationship management process. We have a call centre that operates all year round and an extensive database of customers with caller identification that records every individual's preferences and order history so that we can serve them better. Our fleet of more than 100 trucks enables us to respond quickly to customers whenever they call.

In keeping with the common use of smart devices today, we launched our "Fuel My Life" app, which allows customers to make their orders via this mode. We believe this "customer-first" approach has greatly contributed to the success of our business and we will continue to enhance it in line with how our customers prefer to engage us.

This philosophy flows through to the other two parts of our business – CNG and diesel – which operate mainly out of our 24-hour "Cnergy" branded fuel station at 50 Old Toh Tuck Road. At Cnergy, there are 14 CNG dispensers with two nozzles each and five diesel dispensers with four nozzles each.

MESSAGE TO SHAREHOLDERS

Financial Performance

In FY2017, Union Gas achieved net attributable profit of S$3.5 million on the back of S$39.2 million in revenue. During the financial year, our domestic LPG business remained our largest revenue generator, contributing to 59.6% of total sales, followed by Diesel (25.7%) and lastly CNG (14.7%). Our Diesel business achieved almost twice the sales as compared to the previous corresponding year and is our newest and fastest growing segment.

We remain a cash generative business with strong operating cash flow and a healthy balance sheet. As at 31 December 2017, our cash and cash equivalents stood at S$16.1 million.

Dividends

In line with our strong performance for the year and our commitment at IPO to recommend and distribute dividends of not less than 50% of our net profit attributable to our shareholders in FY2017, our Board is pleased to propose a final cash dividend of 1.0 Singapore cent per share for the financial year subject to shareholders' approval at the upcoming AGM on 23 April 2018, translating into a dividend payout ratio of approximately 57.6% of net profit attributable to equity holders.

We believe we are starting out on the right foot with an attractive dividend soon after listing. Although Union Gas does not have a fixed dividend policy, we will endeavour to drive strong growth for the Group in the hope of returning shareholder value.

Corporate Updates

The IPO has given the Group a new lease of life and we will be using the proceeds to invest in the future growth of the company. We have already started on the plans that were outlined during our IPO including acquisition of dealers for our LPG business; diversification into the supply and retail of piped natural gas to customers in the services and manufacturing industries in Singapore; and the expansion of our business through acquisitions, joint ventures, strategic alliances and new product offerings.

Union Gas announced two acquisitions on 19 March 2018, which will see the Group extending its retail sale of LPG to the commercial segment in Singapore as well as expanding its distribution network for domestic supply of bottled LPG cylinders.

The first is the acquisition of the entire issued and paid-up capital of U-Gas Pte. Ltd. ("**U-Gas**") from Union Energy Corporation Pte. Ltd ("**UEC**") for a consideration of S$9.20 million. Secondly, the Group also entered into an asset purchase agreement to acquire the non-contractual domestic customer relationships from Semgas Supply Pte Ltd ("**Semgas Supply**"), which is a wholly-owned subsidiary of UEC, for S$2.40 million. Both acquisitions will be satisfied by part cash and part allotment and issue of ordinary shares and paid-up capital of Union Gas.

U-Gas is primarily involved in the retail sale of LPG to hawker centres in Singapore and will be the supplier of LPG to certain hawker centres pursuant to 37 LPG supply

agreements and equivalent agreements, which are existing as at the date of this Annual Report. Post-completion, UEC will undertake to pay Union Gas a sum equivalent to the sale price of the reduced volume of LPG purchased should the volume of LPG purchased from Union Gas from 1 May 2018 to 30 April 2019 be less than the minimum volume of 1,057,000 cubic metres per year.

Meanwhile, the average monthly historical volume of LPG cylinders sold by Semgas Supply to domestic customers was approximately 13,748 LPG cylinders.

Both the aforementioned developments are in line with the Group's growth strategy to expand its business coverage and strengthen its market share in Singapore and we also believe that they will contribute towards enhancing shareholders' value in the mid to long-term.

Sustainability

Sustainable business practices are an intrinsic part of our daily operations. Our inaugural sustainability report which has been published together with our Annual Report reflect a firm commitment to our employees, our customers, the local community and the surrounding environment.

Outlook

Looking ahead, we expect the current 12 months ending 31 December 2018 to be challenging in view of the highly competitive nature of our industry; unpredictable fluctuations in purchase costs of bottled LPG cylinders, natural gas and diesel; tight manpower situation and possible changes in government regulations.

We also expect our CNG business to continue feeling the effects of the rapidly falling numbers of natural gas vehicles in Singapore although the growth of our diesel business is expected to partially offset this impact.

In the longer term, we believe the potential attrition of smaller players in the LPG industry due to increased operating costs, stricter regulations and higher customers' expectations will provide us the opportunity to lead a consolidation of the retail LPG industry. This will enable our Group to extend our position and expand the scale of our operations in the Retail LPG Business through acquisition of dealers.

Union Gas is also involved in the distribution of household and health products. With our deep penetration of domestic households, we have considerable potential to expand our offerings of such products and we are actively looking for such opportunities.

Appreciation

Union Gas owes its success to long-time business partners and customers who have supported us as we grew and evolved with the ever changing face of our industry and clients. It gives us great pleasure to know that we have served more than three generations of some households.

But all that would not have been possible if we did not have the loyalty and hard work of a dedicated workforce. So to all the employees of Union Gas, we thank you for your commitment to the Group and your willingness to work together with the management to build a strong and sustainable future for the Group.

Lastly, a big thank you once again to our shareholders for investing in us. We hope that you will share in the growth of the company for many years to come.

Teo Kiang Ang, Non-executive Chairman

Alexis Teo, Executive Director and CEO

BOARD OF **DIRECTORS**

TEO KIANG ANG
Founder and Non-Executive Chairman
Date of First Appointment | 3 October 2016
Current and Past Directorships in Listed Companies| Nil

Having founded the business as a sole proprietorship in 1974, Mr Teo has more than 40 years of experience in the LPG market in Singapore and has gained an intimate knowledge and understanding of the business. He is responsible for formulating our Group's strategic focus and direction. Mr Teo is also the Chairman and CEO of Trans-cab which is principally engaged in the operation of taxi services in Singapore. Mr Teo serves as a committee member of Ngee Ann Kongsi, president of Chui Huay Lim (a Teochew clan association) and was awarded the Public Service Medal (Pingat Bakti Masyarakat) in 2011.

ALEXIS TEO
Executive Director and CEO
Date of First Appointment | 3 October 2016
Current and Past Directorships in Listed Companies| Nil

Ms Teo has more than 13 years of experience in the LPG industry in Singapore and is responsible for our Group's overall management, developing and maintaining relationships with our suppliers and customers as well as overseeing the daily operations of our Group. Before joining our Group as CEO in June 2017, Ms Teo worked in Summit Gas, a wholly-owned subsidiary of UEC which is engaged in the manufacturing, processing and the sale of LPG, for approximately 13 years as a deputy manager who was responsible for the plant operations and facilities management. Ms Teo has a Bachelor in Commerce degree from Murdoch University, Perth, Western Australia.

LOO HOCK LEONG

Lead Independent Director
Date of First Appointment | 20 June 2017
Chairman | Audit Committee
Member | Remuneration Committee & Nominating Committee
Current and Past Directorships in Listed Companies| Nil

Mr Loo has more than 20 years of extensive banking and corporate experience. He has been the Chief Financial Officer of Parkway Trust Management Limited, Manager of Parkway Life REIT since January 2009. He was previously the Senior Vice President, Corporate Advisory of Global Financial Markets with DBS Bank where he provided advisory services on corporate treasury management to large corporations in the areas of corporate finance and merger & acquisition. He has extensive experience in financial structuring of interest rate and foreign exchange risk management solutions for these clients. Mr Loo graduated from the National University of Singapore with a Bachelor of Electrical Engineering (Hons) degree in 1995. In 2000, he obtained a Masters of Applied Finance from the Macquarie University with three distinguished awards: Best Overall Performance, Best in Derivatives Valuation and Best in Legal & Tax Risk in Finance. He also possesses a professional qualification in accounting from the Institute of Singapore Chartered Accountants (ISCA) and is a Chartered Accountant with ISCA.

LIM CHWEE KIM

Independent Director
Date of First Appointment | 20 June 2017
Chairman | Remuneration Committee
Member | Audit Committee & Nominating Committee
Current Directorships in Listed Companies | Jason Holdings Limited (SGX-ST Catalist)
Past Directorships in Listed Companies | RichLand Group Limited

Mr Lim was the founder and CEO of RichLand Group Limited where his primary responsibility was to formulate business strategies to chart the future growth of the group. Mr Lim started the business of providing cargo transportation services, container haulage and project cargo movement in 1992 under a sole proprietorship known as RichLand Cargo Trucking & Labour Service Agency and spearheaded the group's expansion into related businesses such as airport cargo terminal handling in 1994 and warehousing, storage and micro distribution in 1996. He was a member of the Community Centre Management Committee (Pioneer constituency), West Coast Group Representation Constituency (GRC) from 1 March 2002 until 29 February 2004. He is currently the Vice Chairman of the Citizen Consultative Committee of Hougang Single Member Constituency (SMC). He is currently a director of Jason Holdings Limited, which is listed on the SGX-ST Catalist.

HENG CHYE KIOU

Independent Director
Date of First Appointment | 20 June 2017
Chairman | Nominating Committee
Member | Remuneration Committee & Audit Committee
Current and Past Directorships in Listed Companies| Nil

Mr Heng previously served as the executive director and CEO of VICOM Ltd for 17 years before retiring on 30 April 2012. He is an Honorary Vice-President of the Belgium-based Bureau Permanent of the International Vehicle Inspection Committee, and Member of the School Advisory Committee of National Junior College. He has served as Chairman of the Institute of Technical Education's Automotive Training Advisory Committee from May 1999 to April 2002. For his contribution to education, he was conferred the Public Service Medal (Pingat Bakti Masyarakat) in 2001 and the Public Service Star Award in 2013. Mr Heng holds a Bachelor of Engineering (Mechanical) from the University of Singapore and a Master of Science (Industrial Engineering) from the National University of Singapore.

EXECUTIVE OFFICERS

CHNG GEOK
Finance Director

Mdm Chng was appointed as Finance Director on 1 September 2017 and is responsible for mergers and acquisitions, reviewing IPT transactions in accordance to approved general mandate as well as overseeing the finance and accounting functions of the Group. She has more than 30 years of extensive corporate experience. Prior to joining the Group, she was the chief financial officer of C & P Rent-A-Car Pte Ltd from September 2014 to August 2015 and the chief financial officer and joint company secretary of Communication Design International Ltd from April 2012 to April 2014. From December 1995 to December 2011, she held various roles at Federal International (2000) Ltd Group and Federal Hardware Engineering Co Pte Ltd that included finance and administration manager, financial controller, executive director, chief financial officer, joint company secretary and project director. Mdm Chng holds a Bachelor of Business Administration from the National University of Singapore and is a Fellowship Chartered Certified Accountants with ACCA and is a Chartered Accountant with ISCA.

SYLVIA LIO
Chief Accounting Officer

Ms Lio was appointed as Chief Financial Officer of the Group on October 2016 and was re-designated to Chief Accounting Officer on 1 September 2017. She reports to the Finance Director. With more than 10 years of experience in the accounting and finance fields, she is responsible for all finance and accounting functions of the Group. Before joining the Group in October 2016, she served in the UEC Group for over seven years as a Senior Accountant and subsequently the Senior Manager for Accounting. She was responsible for the financial management, accounting and management reporting as well as financial operations of the entities within the UEC Group. Prior to joining the UEC Group, she was an auditor with BSL Public Accounting Corporation from 2008 to 2009, a senior accountant with Priority Fortune Trading Sdn Bhd from 2007 to 2008, and an auditor with Ernst & Young (Malaysia) from 2004 to 2007. She is a Fellow Member of the Association of Chartered Certified Accountants (ACCA) and is a Chartered Accountant with ISCA.

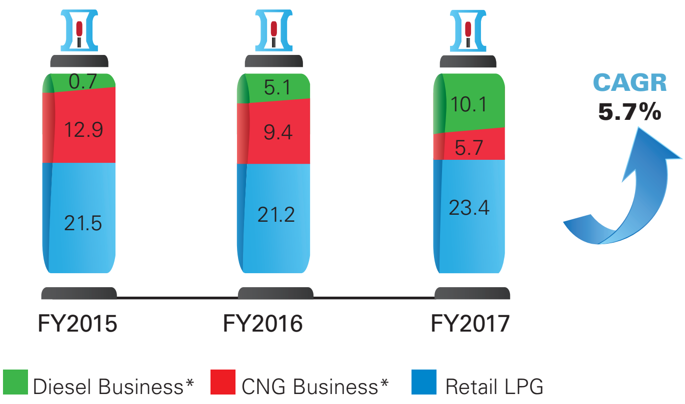
SIE KOK KHIAM
Senior Manager (LPG)

Mr Sie is responsible for managing various sales managers and formulating strategies to improve the sales of bottled LPG cylinders in their respective territories. He was a delivery driver for Choon Hin Company for bottled LPG cylinders for over 5 years since 1994 and was promoted to sales manager of the UEC Group responsible for sales of bottled LPG cylinders from 2000 to 2002. He left the UEC Group in 2002 to pursue a career in the logistics industry and subsequently re-joined the UEC Group in 2004 as sales manager and was subsequently promoted to senior manager in 2014.

FINANCIAL HIGHLIGHTS

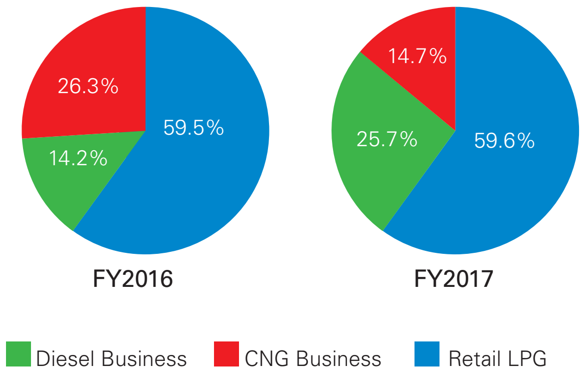
Financial Year Ended 31 December

TOTAL REVENUE (S$m)

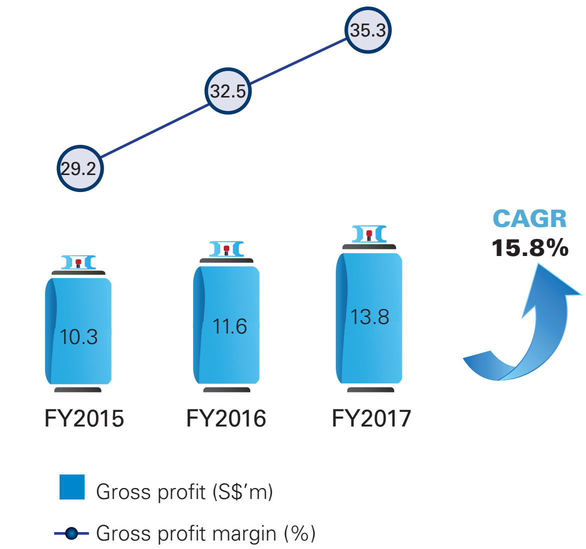


*Collectively, the Group's Retail Station Business

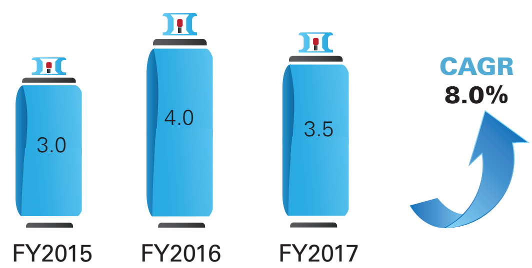
REVENUE BY BUSINESS (%)



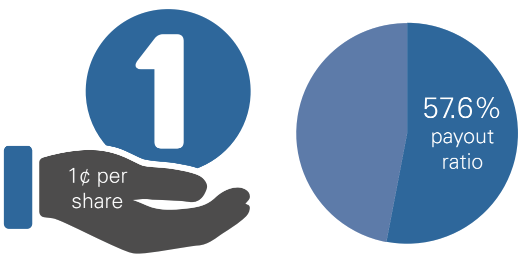
GROSS PROFIT (S$m) AND MARGIN (%)



NET PROFIT (S$m)



PROPOSED DIVIDENDS in FY2017



OPERATIONS AND **FINANCIAL REVIEW**

REVIEW OF THE GROUP'S FY2017 FINANCIAL PERFORMANCE

Revenue

Revenue increased by approximately S$3.46 million or 9.7% from S$35.73 million in FY2016 to S$39.19 million in FY2017, mainly due to increase in (i) revenue from the retail of bottled liquefied petroleum gas ("**LPG**") cylinders and LPG-related accessories to mainly domestic households in Singapore ("**Retail LPG Business**"), and (ii) sale and distribution of diesel to retail customers at our fuel station at 50 Old Toh Tuck Road and bulk sale of diesel to commercial customers ("**Diesel Business**"), and partially offset by decrease in sales of compressed natural gas ("**CNG**") primarily to natural gas vehicles and industrial customers for their commercial use at 50 Old Toh Tuck Road ("**CNG Business**").

Retail LPG Business

Revenue from our Retail LPG Business increased by approximately S$2.10 million or 9.9%, from S$21.25 million in FY2016 to S$23.35 million in FY2017. The increase was mainly due to the increase in the average selling price ("**ASP**") of our bottled LPG cylinders by approximately 15.2% in FY2017 compared to FY2016 in line with the increase in Saudi Aramco Contract Prices[1]. This was partially offset by a decrease in our sales volume by approximately 2.7%.

CNG Business

Revenue from our CNG Business decreased by approximately S$3.66 million or 38.9% from S$9.41 million in FY2016 to S$5.75 million in FY2017. The decrease was mainly due to a decrease in our sales volume by approximately 45.3% from approximately 8.04 million kg in FY2016 to 4.40 million kg in FY2017 as a result of a fall in the number of natural gas vehicles, which operates on CNG or hybrid CNG and petrol in Singapore. This was partially offset by the higher ASP of our CNG by approximately 12.0% in FY2017 compared to FY2016 due to an increase in our cost of purchase of natural gas arising from increase in High Sulfur Fuel Oil prices.

Diesel Business

Revenue from our Diesel Business increased by approximately S$5.02 million or 99.0% from S$5.07 million in FY2016 to S$10.09 million in FY2017. The increase was mainly due to an increase in the ASP of our diesel arising from an increase in international oil prices and the introduction of volume-based duty at S$0.10 per litre on automotive diesel, industrial diesel and the diesel component in biodiesel which took effect from 20 February 2017; and an increase in sales volume by approximately 44.6% from approximately 8.63 million litres in FY2016 to 12.48 million litres in FY2017 as a result of higher sales of diesel to our commercial customers.

Cost of Sales

Our cost of sales increased by approximately S$1.21 million or 5.0% from S$24.13 million in FY2016 to S$25.34 million in FY2017. This was mainly due to:

(i) An increase in direct material costs by approximately S$1.98 million mainly arising from the higher average purchase cost of (a) natural gas by approximately 34.7% in FY2017 compared to FY2016; and (b) diesel by approximately 43.5% as well as higher volume of

[1] The contract price for LPG derived from the contract prices for propane and butane published by the Saudi Arabian Oil Company (Saudi Aramco) on the first working day of each month and applicable to all purchases of LPG throughout the particular month.



diesel purchase by approximately 44.6% in FY2017 compared to FY2016. This was partially offset by (a) the decrease in average cost of bottled LPG cylinder by approximately 7.4% and volume of bottled LPG cylinder by approximately 2.7% in FY2017 compared to FY2016; and (b) lower volumes of natural gas by approximately 45.3% in FY2017 compared to FY2016; and

(ii) A decrease in direct overhead cost by approximately S$0.77 million or 19.7% from S$3.91 million in FY2016 to S$3.14 million in FY2017 mainly due to the decrease in (a) custom and excise duty by approximately S$0.65 million as a result of the decrease in CNG sales volume; and (b) utilities by approximately S$0.18 million as a result of the decrease in CNG sales volume and lower rates charge by the supplier due to change of service provider in April 2017. This was partially offset by a higher depreciation by approximately S$0.14 million arising from renovation of retail station at 50 Old Toh Tuck Road which was completed in December 2016.

Gross Profit

Our gross profit increased by approximately S$2.25 million or 19.4% from S$11.60 million in FY2016 to S$13.85 million in FY2017 due to an increase in revenue. Our gross profit margin increased from approximately 32.5% in FY2016 to approximately 35.3% in FY2017 due to the decrease in our purchase cost of bottled LPG cylinders, and partially offset by the increase in our purchase cost of natural gas and diesel out-pacing the increase in our average selling price of natural gas and diesel to customers.

Other Gains and Other Income

Our other gains of S$0.06 million in FY2017 comprise mainly gain on disposal of motor vehicles.

Our other income increased by approximately S$0.37 million or 115.6% from S$0.32 million in FY2016 to S$0.69 million in FY2017. The increase in other income was mainly due to (i) service fees of approximately S$0.18 million relating to provision of IT infrastructure services to Sembas (Asia) Trading Pte. Ltd. ("**Sembas**") which commenced in May 2017; and (ii) rental income of approximately S$0.06 million relating to rental of motor vehicles to Sembas and Gasmart Pte. Ltd. ("**Gasmart**").

Other Losses

Other losses increased by approximately S$50,000 or 147.1% from a loss of approximately S$34,000 in FY2016 to a loss of approximately S$84,000 in FY2017 mainly due to increase in allowance for impairment of trade receivables from our Diesel Business arising from tightening of impairment policy.

Expenses

Marketing and Distribution Costs

Our marketing and distribution costs increased by approximately S$0.51 million or 8.0%, from S$6.34 million in FY2016 to S$6.85 million in FY2017 mainly due to an increase in (i) depreciation of motor vehicles of S$0.56 million as a result of purchase of motor vehicles from Semgas (S) Pte. Ltd. ("**Semgas**") and Choon Hin Gas Supply Pte. Ltd. ("**Choon Hin**") in October 2016; (ii) service charges and delivery charges of S$0.21 million arising from revision of delivery rate of bottled LPG cylinders to domestic households; (iii) insurance for motor vehicles of S$0.09 million due to purchase of own motor vehicles; and (iv) employees compensation of $0.69 million arising from the transfer of our employees involved in call centre function from Union Energy Corporation Pte. Ltd. ("**UEC**") and its subsidiaries (the "**UEC Group**") in FY2017, while there were no such expenses in FY2016 as the call centre function of our Group was provided by the UEC Group then.

This was partially offset by the decrease in rental expense of motor vehicle of S$1.07 million as we purchased our own motor vehicles in October 2016.

Administrative Expenses

Our administrative expenses increased by approximately S$2.63 million or 337.2% from S$0.78 million in FY2016 to S$3.41 million in FY2017 mainly due to the increase in (i) employee compensation of S$0.50 million arising from the transfer of some of our employees (including our Executive Director and CEO, Alexis Teo) involved in operational and administrative functions from UEC Group in October 2016; (ii) listing expenses of S$1.19 million; (iii) depreciation of plant and equipment of S$0.17 million mainly arising from acquisition of IT Infrastructure and related equipment from Sembas in April 2017; and (iv) director fees of S$0.15 million.

OPERATIONS AND FINANCIAL REVIEW

Finance Costs

Our finance costs decreased by approximately S$7,000 or 16.7% from S$42,000 in FY2016 to S$35,000 in FY2017, mainly due to a decrease in net bank borrowings.

Income Tax Expense

Our income tax expense decreased by approximately S$0.04 million or 5.1% from S$0.79 million in FY2016 to S$0.75 million in FY2017. This was mainly due to claims made under the productivity and innovation credit scheme, and partially offset by listing expenses that are not tax-deductible in nature.

Profit, Net of Tax

As a result of the above, our profit after tax decreased by approximately S$0.48 million or 12.1% from S$3.96 million in FY2016 to S$3.48 million in FY2017.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-Current Assets

Non-current assets rose by approximately S$0.32 million or 3.5% from S$9.12 million as at 31 December 2016 to S$9.44 million as at 31 Dec 2017. The increase was mainly due to (i) purchase of motor vehicles from third party of S$0.89 million and Semgas of S$0.88 million; (ii) purchase of IT Infrastructure and equipment from third party of S$0.17 million and Semgas of S$0.17 million; and (iii) purchase of a diesel truck of S$0.26 million. This was partially offset by depreciation expenses for the year.

Current Assets

Current assets rose by approximately S$7.02 million or 63.9% from S$10.99 million as at 31 December 2016 to S$18.01 million as at 31 December 2017. This was mainly due to an increase in cash and cash equivalents of S$14.95 million and was partially offset by a decrease in trade and other receivables by approximately S$7.86 million, as we received payment from UEC Group of S$7.88 million.

Current Liabilities

Current liabilities decreased by approximately S$3.25 million or 33.7% from S$9.63 million as at 31 December 2016 to S$6.38 million as at 31 December 2017. This was mainly due to a decrease in trade and other payables by approximately S$3.43 million arising from (i) accrued liabilities of S$0.48 million relating mainly to decrease in purchase of natural gas and customs and excise duties; (ii) repayment to UEC Group of S$2.86 million; and (iii) repayment to our Controlling Shareholder of S$0.13 million. This was partially offset by increase in other financial liabilities of S$0.10 million due to new hire purchase loans arising from purchase of motor vehicles.

Equity Attributable to Owners of Our Company

The increase in equity by approximately S$10.54 million or 113.5% from S$9.29 million as at 31 December 2016 to S$19.83 million as at 31 December 2017 was due to (i) net profit achieved in FY2017 of approximately S$3.48 million; and (ii) new shares issued pursuant to IPO July 2017 of approximately S$7.07 million.

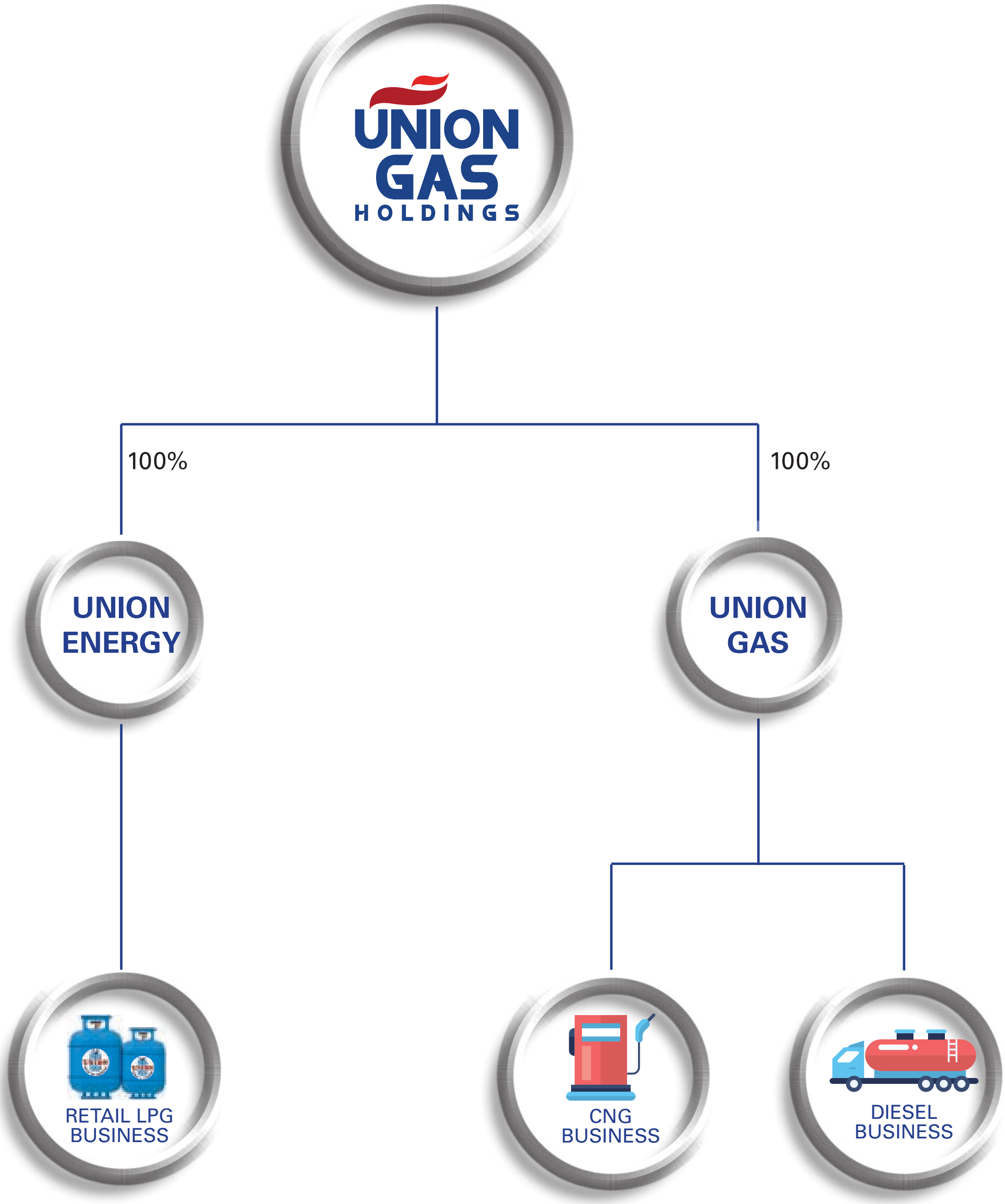
REVIEW OF THE GROUP'S CASH FLOWS

In FY2017, our net cash flows from operating activities amounted to S$3.54 million. We generated operating cash flows before changes of working capital of S$7.35 million which was partially offset by our net working capital outflow of approximately S$3.37 million and taxes paid of S$0.44 million. The net working capital outflow was mainly due to a decrease in trade and other payables of approximately S$3.38 million and partially offset by a decline in other assets of S$0.12 million.

Net cash flows from investing activities amounted to approximately S$6.31 million in FY2017, mainly due to repayment from UEC of S$7.93 million and partially offset by purchase of property, plant and equipment of S$2.00 million.

Net cash flows from financing activities amounted to S$5.10 million in FY2017, mainly due to net proceeds from the issue of new ordinary shares of approximately S$7.50 million, and partially offset by (i) repayment of bank borrowing of S$0.73 million; (ii) interest paid of S$0.04 million; and (iii) payment for listing expenses of approximately S$1.63 million.

CORPORATE **STRUCTURE**



CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Teo Kiang Ang - Non-executive Chairman
Ms Teo Soak Theng Alexis - Executive Director and CEO
Mr Loo Hock Leong - Lead Independent Director
Mr Lim Chwee Kim - Independent Director
Mr Heng Chye Kiou - Independent Director

AUDIT COMMITTEE
Mr Loo Hock Leong - Chairman
Mr Lim Chwee Kim
Mr Heng Chye Kiou

REMUNERATION COMMITTEE
Mr Lim Chwee Kim - Chairman
Mr Loo Hock Leong
Mr Heng Chye Kiou

NOMINATING COMMITTEE
Mr Heng Chye Kiou - Chairman
Mr Loo Hock Leong
Mr Lim Chwee Kim

COMPANY SECRETARY
Mr Leong Chee Meng Kenneth
Chartered Accountant Singapore

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
3 Lorong Bakar Batu
#07-04 Union Industrial Center
Singapore 348741
Tel: (65) 6316 6666
Fax: (65) 6743 0690

SPONSOR
CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS
RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Partner-in-charge: Mr Adrian Tan Khai-Chung (a member of the Institute of Singapore Chartered Accountants (ISCA))

INVESTOR RELATIONS
Union Gas Holdings Limited
ir@uniongas.com.sg

August Consulting
Ms Wrisney Tan - wrisneytan@august.com.sg
Ms Silvia Heng - silviaheng@august.com.sg

SUSTAINABILITY **REPORT**

SCOPE OF THE REPORT

This inaugural sustainability report by Union Gas Holdings Limited covers the financial year ended 31 December 2017 ("**FY2017**"). It describes the sustainability performance and initiatives of the company and our three business segments, namely Retail Liquefied Petroleum Gas ("**LPG**") Business, Compressed Natural Gas ("**CNG**") Business and Diesel Business.

Unless otherwise stated, this report covers our progress on environmental, social and governance issues from 1 January 2017 to 31 December 2017. This report has been prepared taking reference from the SGX Sustainability Reporting Guidelines (set out in Listing Rule 711A and 711B) and using the Global Reporting Initiative (**GRI**) Standards primarily as a guide for reporting on topics that are deemed material to Union Gas Holdings Limited.

OUR APPROACH TO SUSTAINABILITY

Union Gas Holdings Limited is committed to implementing programmes and practices that promote environmental sustainability and social responsibility, while continuing to innovate high quality, reliable products for our customers. We believe in long term investment in our people, our customers, and the environment. We create sustained values for our stakeholders by incorporating environmental, social and governance aspects into our day-to-day operations and risk management approach. To achieve this, we maintain a high standard of corporate governance to oversee and implement the comprehensive policies that drive sustainable development. Our robust corporate governance structure plays an important role in our approach to sustainability by encouraging internal communications, enhancing transparency and building trust with our stakeholders.

CORPORATE GOVERNANCE

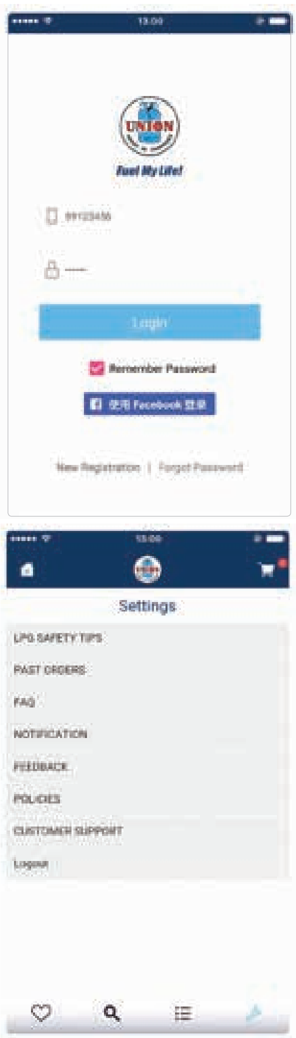
To enhance accountability and transparency, we uphold high standards in business ethics and corporate governance in all areas of our operations, thus building stronger trust with our stakeholders.

The Board continues to have overall responsibility for ensuring effective corporate governance across the Group. Part of this is to maintain sound and effective risk management and internal control systems, in order to safeguard the Group's assets and stakeholders' interests. Environmental Social and Governance (**ESG**)-related risks are considered when formulating business strategies.

RETAIL LPG BUSINESS

Our LPG business mainly serves domestic households in matured and/or older estates and landed housing in Singapore.

As part of our customer-oriented operations, we also have a "Fuel My Life" mobile app for customers to place orders on their smart devices, following feedback from our customers who wanted a faster way to place orders. This app also serves as a one stop portal to provide our customers with LPG safety tips and FAQs.



SUSTAINABILITY **REPORT**

BENEFITS OF LPG OVER OTHER FUELS

LPG has an array of environmental advantages. In comparison to most hydrocarbons, LPG has a low Carbon to Hydrogen ratio, which means it generates lower amounts of CO_2 per amount of heat produced. It also has a comparatively high heating value, meaning it contains more energy per kilogramme than most competing fuels.

The greenhouse gas (**GHG**) footprint of LPG is relatively small compared to other fuels in terms of total emissions and emissions per unit of energy consumed. Furthermore, LPG is not a GHG when released into the air as it is primarily a combination of propane and butane molecules, along with trace amounts of other compounds; the exact composition of which varies around the world. LPG vapor is not persistent in the atmosphere, it is commonly removed by natural oxidation in the presence of sunlight or knocked down by precipitation faster than it takes for it to become well-mixed into the atmosphere. Current measurements have not found a global climate impact from the emissions of propane or butanes.

According to the United Nations International Panel on Climate Change (**IPCC**), LPG is not a GHG, meaning it is assigned a global warming potential ("**GWP**") factor of Zero. The IPCC lists the GWP of CO_2 as 1 (by definition as it is the equivalent measure of a carbon footprint) and methane as 25.

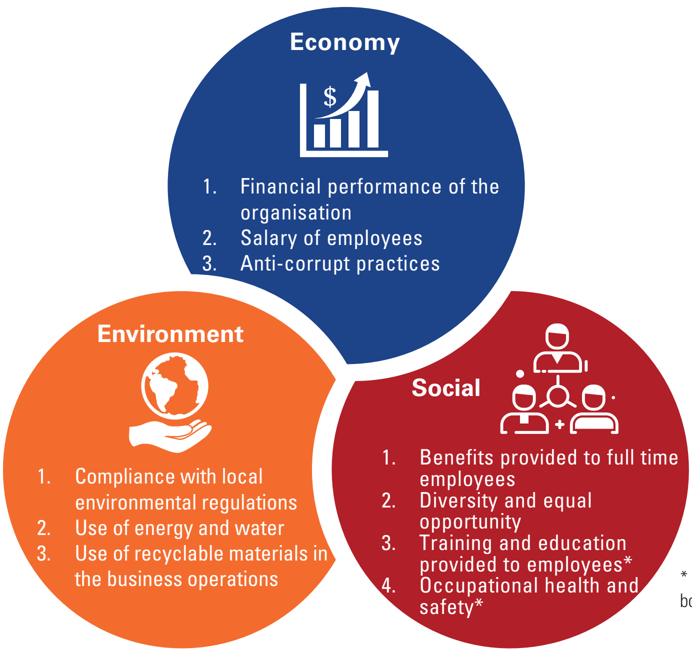
Whether used for cooking, transport, heating or industrial applications, LPG is a clean burning fuel that will reduce CO2 emissions compared to biomass, fuel oil and, in many countries, electricity. In residential or industrial use, the GHG footprint of LPG is respectively 17% and 49% lower than heating oil and coal[1]. LPG emits almost no black carbon, contrary to heating oil, coal and biomass. LPG is also among the lowest carbon-emitting fuel sources for cooking in many regions of the world. In India, for example, LPG emits 60% fewer GHGs than electric coil cook tops, 50% fewer emissions than some biomass stoves, and 19% fewer GHGs than kerosene stoves[1].

In transport, LPG autogas offers significant environmental advantages, particularly in terms of improving air quality and helping to cut pollution. It is characterised by low particle emissions and low NOx (nitrogen oxide) emissions.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

The Group engages a wide variety of stakeholders including employees, customers, business partners, industry associations and the authorities.

From our stakeholder engagement exercise conducted in 2017, several topics related to economic, environment, and workplace practices were identified and provided a basis for identifying and prioritizing aspects to be covered in this report. The top three aspects that scored the highest were ranked in order of importance for the categories of economic, social and environmental. This is illustrated in the diagram below.



* Training and Occupational health and safety both ranked similarly in order of importance.

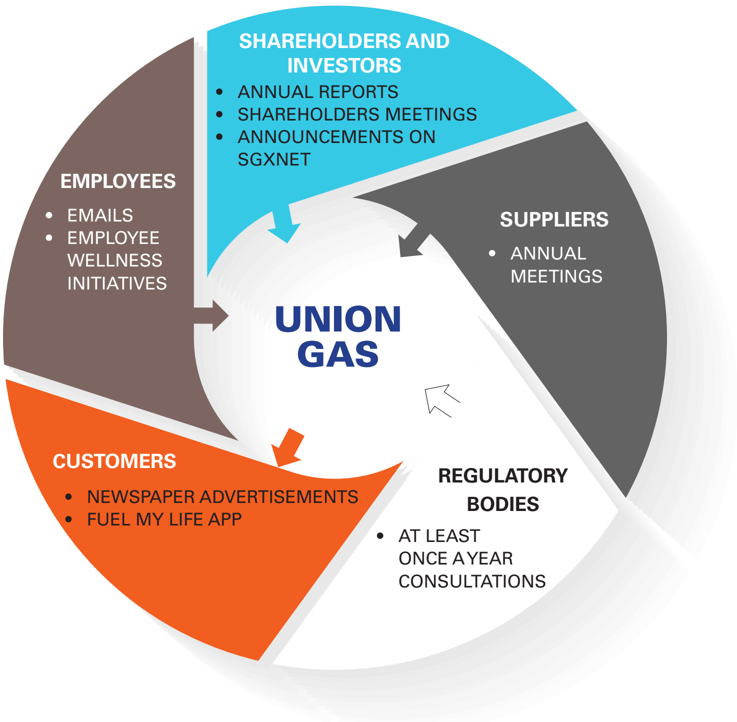
[1] https://www.wlpga.org/wp-content/uploads/2015/05/LPG-and-the-Global-Energy-Transition.pdf

In subsequent years, we plan to engage other groups of stakeholders including our customers and business partners to identify other material aspects.

In this first Sustainability report for Union Gas, we have covered the following stakeholder concerns:

1. Financial performance of the organisation
2. Compliance with local environmental regulations
3. Occupational health and safety

DIFFERENT STAKEHOLDER GROUPS AND HOW WE ENGAGE THEM



SUSTAINABILITY **REPORT**

ADDRESSING STAKEHOLDER CONCERNS

Financial Performance
GRI 201-1

In the last one year, Union Gas has distributed around 16.3% of our revenues to key stakeholders – 12.5% to employees and 3.8% to government and capital providers. 76.6% of our revenue was spent on operating costs. To sustain the operations of our various companies, 8.9% of the total economic value generated was retained and reinvested.

Compliance with Local Environmental Regulations
GRI 307-1

The Group is committed to comply with the environmental laws and regulations of the jurisdictions where we operate, and are in the process of setting performance standards for the sites where we operate. In 2017, we received one case of mosquito breeding and were fined a total of $200. Mitigating actions have since been taken to prevent recurrence and our properties are routinely inspected by staff to ensure that they are in compliance with applicable environmental laws and regulations.

In line with the Government's efforts to improve Singapore's ambient air quality by reducing vehicular emissions, our Category C diesel vehicles with Euro 2 or Euro 3 emission standards were gradually replaced by Euro 5 vehicles in 2017.

Occupational Health and Safety
GRI 403-2

We are committed to providing safe and healthy work environments and have made considerable efforts to manage the inherent risks in our operations. The efforts for the prevention of workplace accidents are an essential component of operational activities for Union Gas Holdings. According to a 2017 report by Workplace Safety and Health Institute, Singapore[2], the top 3 incident types for major injuries in the transportation and storage sector are slips, trips and falls, work related traffic incidents, and over-exertion/strenuous exercise. The leading occupational diseases are work-related musculoskeletal disorders, noise induced deafness and occupational skin diseases.

Appropriate preventive measures have kept the Group's accident severity rate and accident frequency rate at zero. Union Gas employees who are involved in the delivery of LPG cylinders to our business and residential customers are all provided with personal protective equipment such as safety boots and impact gloves. All our drivers also hold HAZMAT Transport Driver Permit which is a requirement by the Singapore Civil Defence Force in order to transport and handle LPG cylinders. New workers undergo a buddy system and are trained by the more experienced, senior workers on safe work procedures and cylinder loading/unloading procedures before they are deployed to work on their own.

At the operational level, all our employees are trained in safe working practices and to understand emergency response preparedness and procedures. Other initiatives

Fleet of Euro 5 trucks.

New staff undergoing briefing on how to change gas cylinder and remove the safety valve.

[2] Workplace and Safety Health Report, Jan-Jun 2017

Emergency response evacuation practice.

Staff undergoing yearly refresher emergency response training.

include regular evacuation drills and site inspections.

PURSUING EXCELLENCE IN PRODUCTS AND SERVICES

The Group's philosophy is to provide goods and services of the best quality and offer excellent services to customers. Our commitment to excellence is exemplified by our yearly checks on gas valves and complemented by a comprehensive feedback to ensure that we provide an impeccable level of service quality to our customers.

REPORT ON **CORPORATE GOVERNANCE**

The Board of Directors (the "**Board**") and the management (the "**Management**") of Union Gas Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders. For the financial year ended 31 December 2017 ("**FY2017**"), the Board and Management are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") where applicable, pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This report outlines the Company's corporate governance processes and structure that were in place during FY2017, with specific reference to the principles and guidelines of the Code and the disclosure guide developed by the SGX-ST in January 2015 (the "**Guide**"). Where there is a deviation from the Code and/or the Guide, proper explanation has been provided.

(A) BOARD MATTERS

Principle 1 – The Board's Conduct of its Affairs

The Board oversees the corporate policy and overall strategy for the Group. The principal roles and responsibilities of the Board, amongst others, include:

(a) Oversees the overall strategic plans including sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; and

(b) Oversees and safeguards shareholders' interest and the Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively, the "**Board Committees**"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board has in place an authority matrix to provide guidelines on the approval for material transactions. Matters that require the Board's approval include, amongst others, the following:

- Board authorisation limits;
- Appointment and re-election of Directors at general meeting;
- Salaries and benefits/allowances of the members of the Board and key management personnel;
- Evaluation and approval of investments, mergers and acquisitions ("M&A") transactions and divestments;
- Significant capital expenditure;

- Public announcements and responses to the SGX-ST/regulators, if any;
- Financial results announcements or press releases;
- Dividend decisions; and
- Auditor's reports if deemed satisfactory and free of material errors after review.

The Board conducts scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Constitution of the Company (the "**Constitution**") allow Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and Management.

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and fiduciary responsibilities at all times in the best interests of the Company.

The attendance record of each Director at meetings of the Board and Board Committees during FY2017 is disclosed below:

	Board(1)	**AC**	**NC**	**RC**
Number of meetings held in FY2017(1)	2	2	1	2
Name of Director	**Number of meetings attended in FY2017**			
Teo Kiang Ang	2	–	–	–
Alexis Teo	2	–	–	–
Loo Hock Leong	2	2	1	2
Lim Chwee Kim	2	2	1	2
Heng Chye Kiou	2	2	1	2

(1) The Company held its first Board meeting on 11 September 2017, after its listing on 21 July 2017.

Newly appointed directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the Director will receive a letter of appointment setting out his/her duties and responsibilities. All newly appointed Directors who do not have prior experience as a director of a public listed company in Singapore would attend relevant training courses when applicable.

The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

REPORT ON CORPORATE GOVERNANCE

For FY2017, briefings, updates and trainings for the Directors includes:

- briefing by the external auditors ("**EA**") on changes or amendments to accounting standards at the AC meetings; and
- updates by the Company Secretary on proposed amendments to the Companies Act, and Catalist Rules, from time to time.

Principle 2 – Board Composition and Guidance

Currently, the Board comprises five (5) directors, as set out below. There is one Executive Director namely Alexis Teo who is the Chief Executive Officer ("CEO"), one Non-Executive Director namely Teo Kiang Ang who is the Chairman of the Group. The Non-Executive and Independent Directors comprise Mr Loo Hock Leong, Mr Lim Chwee Kim and Mr Heng Chye Kiou.

Director	Designation	Date of Initial Appointment as Director	Date of Last Re-Election	AC	NC	RC
Teo Kiang Ang[(1)]	Non-Executive Chairman	03 October 2016	Nil	–	–	–
Alexis Teo	Executive Director and Chief Executive Officer	03 October 2016	Nil	–	–	–
Loo Hock Leong[(2)]	Lead Independent Director	20 June 2017	Nil	Chairman	Member	Member
Lim Chwee Kim[(3)]	Independent Director	20 June 2017	Nil	Member	Member	Chairman
Heng Chye Kiou[(4)]	Independent Director	20 June 2017	Nil	Member	Chairman	Member

Notes:

(1) Mr Teo Kiang Ang will retire pursuant to Article 117 of the Constitution and is subject to re-election as a director at the forthcoming AGM of the Company.

(2) Mr Loo Hock Leong will retire pursuant to Article 122 of the Constitution and is subject to re-election as a director at the forthcoming AGM of the Company.

(3) Mr Lim Chwee Kim will retire pursuant to Article 122 of the Constitution and is subject to re-election as a director at the forthcoming AGM of the Company.

(4) Mr Heng Chye Kiou will retire pursuant to Article 122 of the Constitution and is subject to re-election as a director at the forthcoming AGM of the Company.

Details of the Directors' qualifications and experiences are set out on pages 6 and 7 (Directors' Profile) of this Annual Report.

The NC evaluates on an annual basis whether or not a Director is independent in accordance with the Code. The NC has reviewed and confirmed the independence of the Independent Directors, Mr Loo Hock Leong, Mr Lim Chwee Kim and Mr Heng Chye Kiou in accordance with the Code.

The Independent Directors have also confirmed their independence in accordance with the Code. Each member of the NC has abstained from deliberations in respect of the assessment of his or her own independence.

There is no Independent Director who has served beyond nine years since the date of his or her first appointment.

As more than half of the Board is independent, the requirement of the Code that at least half of the Board comprises Independent Directors where the Chairman and the chief executive officer (or equivalent) are immediate family members, is part of the management team and is not an independent director, is satisfied.

For FY2017, the NC had reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members in the fields of accounting and finance, and relevant industry experience. The Non-Executive Directors are able to constructively challenge and assist in the development of the business strategies and in reviewing and monitoring of the Management's performance against set targets.

Led by the Lead Independent Director, the Independent Directors may at any time meet separately without the presence of Management. For FY2017, the Independent Directors had met the internal and external auditors without the presence of Management.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:–

Balance and Diversity of the Board	**Number of Directors**	**Proportion of the Board**
Core Competencies		
Accounting or finance related	1	20%
Business and management experience	5	100%
Legal or corporate governance	1	20%
Relevant industry knowledge	4	80%
Strategic planning experience	5	100%

The Board will take the following steps to maintain or enhance its balance and diversity:

- Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

Principle 3 – Chairman and Chief Executive Officer

Teo Kiang Ang is our Non-Executive Chairman and Alexis Teo, who is an immediate family member of the Chairman, is our CEO. Accordingly, pursuant to Guideline 3.3 of the Code, the Board has appointed Mr Loo Hock Leong as the Lead Independent Director.

REPORT ON **CORPORATE GOVERNANCE**

The Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with fellow directors and other executives, and if warranted, with professional advisors.

The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He promotes high standards of corporate governance as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of Independent Directors during the Board meetings.

Principle 4 – Board Membership

The Company has established the NC to make recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include:

(a) making recommendations to the Board on relevant matters relating to:

  (i) the review of board succession plans for Directors, in particular, the Chairman and the CEO;

  (ii) the reviewing of training and professional development programs for the Board; and

  (iii) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(b) reviewing and determining annually, and as and when circumstances require, if a Director is independent, in accordance with the Code and any other salient factors;

(c) reviewing the composition of the Board annually to ensure that the Board and its committees comprise Directors who as a group provide an appropriate balance and diversity of skills, expertise, gender and knowledge of the Group and provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge; and

(d) where a Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representation and other principal commitments.

In addition, the NC will make recommendations to the Board on the development of a process for the evaluation and performance of the Board, its Board Committees and individual Directors. In this regard, the NC will decide how the Board's performance is to be evaluated and propose objective performance criteria.

The NC will also implement a process for assessing the effectiveness of the Board as a whole and its committees, and for assessing the contribution of our Chairman and each individual Director to the effectiveness of the Board. The NC Chairman will act on the results of the evaluation of the Board, and in consultation with the NC to propose, where appropriate, any new member to be appointed to the Board or seek the resignation of an existing Director.

The NC comprises three directors, three of whom including the NC Chairman, are non-executive and independent.

The NC members are:

– Heng Chye Kiou (Chairman)
– Lim Chwee Kim
– Loo Hock Leong

At each AGM of the Company, the Constitution requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one third of those who have been longest in office since their last re-election. Newly appointed Directors will have to retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC has noted that the following directors will retire by rotation at the forthcoming AGM pursuant to the following Articles:

Name of Director	Designation	Retiring Pursuant to Article Number
Teo Kiang Ang	Non-Executive Chairman	117
Loo Hock Leong	Lead Independent Director	122
Lim Chwee Kim	Independent Director	122
Heng Chye Kiou	Independent Director	122

The NC had reviewed, taking into consideration Mr Teo Kiang Ang being the Group's founder and his continued ability to contribute through his business acumen, strategic thinking process for the business and his extensive knowledge of the Group's business and industry, recommended that Mr Teo Kiang Ang who will retire by rotation pursuant to Article 117 of the Constitution, being eligible and having consented, be nominated for re-election as Director at the forthcoming AGM, and subject to being duly re-elected, Mr Teo Kiang Ang will remain as the Non-Executive Chairman of the Group. Key information details on Mr Teo Kiang Ang are set out on page 6 of this Annual Report.

Pursuant to Article 122 of the Constitution, Mr Loo Hock Leong, Mr Lim Chwee Kim and Mr Heng Chye Kiou, who were appointed by the Board during FY2017, will retire at the forthcoming AGM. The NC, with the respective member who is interested in the discussion having abstained from the deliberations, had reviewed and recommended the above respective Independent Directors for re-election at the forthcoming AGM. In the NC's review for the recommendation of the Independent Directors for re-election, the NC took into consideration the independence of each Independent Director, their respective professional experience, time commitment and level of participation at Board and committee meetings. Key information details on Mr Loo Hock Leong, Mr Lim Chwee Kim and Mr Heng Chye Kiou are set out on page 7 of this Annual Report.

Upon re-election as Director, Mr Loo Hock Leong will remain as the Lead Independent Director, the AC Chairman and a member of NC and RC. Mr Lim Chwee Kim upon re-election as a Director will remain as an Independent Director of the Company, the RC Chairman and a member of the AC and NC. Mr Heng Chye Kiou will, upon re-election, remain as an Independent Director, the NC Chairman, and a member of the AC and RC. Mr Loo Hock Leong, Mr Lim Chwee Kim and Mr Heng Chye Kiou, will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

REPORT ON CORPORATE GOVERNANCE

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor), as an Independent Director.

The NC may also engage external search consultants to search for new Directors at the Company's expense. New Directors are appointed by way of a board resolution after the NC recommends the appointment for the consideration and approval by the Board.

As the Company was listed on the Catalist on 21 July 2017, the newly appointed Independent Directors will have to retire and be re-elected as Directors by the shareholders pursuant to the Constitution of the Company. As a broad-based NC policy, the board nomination process for evaluating an Executive Director vis-à-vis a Non-Executive or Independent Director is different. For an Executive Director, the nomination process would in general be tied to his or her ability to contribute through his or her business acumen and strategic thinking process for the business. As for an Independent Director, his or her nominations are hinged on myriad of criteria whereby he or she should possess the independence of mind despite confirmation via in writing, as evaluated by the NC. The existing Independent Directors were selected from contacts as recommended to the Management, where the Management had in their opinion, deemed that these professionals will be able to give an independent view to take the Group's business to a higher level as the current Executive Director lacked listed company directorship experience and would depend on the stewardship of more experienced Independent Directors.

Furthermore, the NC also had considered, and is of the opinion, that based on the following considerations evaluated, they had not impeded any Director's performance in FY2017 from carrying out their duties to the Company:

(a) expected and/or competing time commitments of each Director;

(b) number of board representation held by each Director;

(c) size and composition of the Board; and

(d) nature and scope of the Group's operations and size.

For FY2017, the Board did not set any cap on the number of listed company directorships given that all Independent Directors were able to dedicate their time to the Group. Nevertheless, if the Board finds that time commitment is lacking from any particular director, they may consider imposing a cap in future. There is no alternate director appointed by any Director in FY2017.

The following key information regarding Directors are set out on the following pages of this Annual Report:

(a) Pages 6 to 7 – Academic and professional qualifications, date of first appointment as director, date of last re-election as director, if any, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and

(b) Page 43 – Shareholdings, if any, in the Company and its subsidiaries.

Principle 5 – Board Performance

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board committees and each individual Director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2017, one NC meeting was held.

The Board has implemented a process for assessing its effectiveness as a whole (including its Committees) and for assessing the contribution by each director to the effectiveness of the Board. The assessments of the Board, Board Committees and the individual directors will be carried out annually.

The assessment utilises a confidential questionnaire, covering areas such as Board composition, Board processes managing the Group's performance and the effectiveness of the Board in its monitoring role. The questionnaire is completed by members of the NC jointly with the Chairman of the Board. The completed qualitative assessment questionnaires are collated for deliberation by the NC. The results, conclusions and recommendation are then presented to the Board by the NC.

The assessment of the individual directors will be done through peer-assessments, in each case through a confidential questionnaire to be completed by directors individually. The assessment parameters for such individual evaluation include attendance and contributions during Board and Board Committee meetings as well as commitment to their roles as directors. The completed questionnaires will then be collated for the NC's deliberation and reported to the Chairman of the Board. The Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought.

As the Company was listed on 21 July 2017, the Board in concurrence with the NC is of the view that it would be more meaningful to evaluate the performance of the Board as a group collectively for FY2017. Furthermore, it may not be meaningful to evaluate the performance of the individual Directors given the short time span since the Company's listing in July 2017. As such, no assessment was carried out for each individual Director for FY2017.

Following the review of the assessment of the Board and its Committees for FY2017, both the NC and the Board are of the view that the Board has met its performance objectives for FY2017. No external facilitator was used in the process.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

Principle 6 – Access to Information

Management including the Executive Directors keeps the Board appraised of the Group's operations and performance through quarterly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to Board meetings.

Prior to any meetings of the Board or Board Committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Group.

REPORT ON **CORPORATE GOVERNANCE**

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. The Management also provides the Board with quarterly updates on financial results, operational performance, business development and other important and relevant information.

The Directors also have access to the Company Secretary who attends all Board and its Board Committees' meetings. The Company Secretary assists the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Company Secretary also assists the directors in the preparation of directors' resolution, recording of minutes of meetings, the facilitation of the annual general meeting proceedings, the preparation and release of routine SGXnet announcements as well as updates on the relevant changes to the Companies' Act.

The Board is given the names and contact details of the Company's Management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

The terms of reference of the RC cover the functions described in the Code including but not limited to, the following:

(a) reviewing and recommending to the Board, in consultation with the Chairman of the Board for endorsement, a comprehensive remuneration policy framework and guidelines for remuneration of Directors, the Chairman, the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of our Company ("**Key Management Personnel**");

(b) reviewing and recommending to the Board for endorsement, the specific remuneration packages for each Director and Key Management Personnel;

(c) reviewing and approving the design of all share option plans, performance share plans and/or other equity based plans;

(d) in the case of service contracts, reviewing the Company's obligations arising in the event of termination of the Directors' or Key Management Personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance; and

(e) reviewing the link between performance and reward in the remuneration structure of each of the Director and Key Management Personnel and recommend such targets for each of such Director and Key Management Personnel, for endorsement by the Board.

The RC comprises entirely of Non-Executive Directors, all of whom are independent. The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. The RC members are:

– Lim Chwee Kim (Chairman)
– Loo Hock Leong
– Heng Chye Kiou

All recommendations made by the RC on remuneration of Directors and Key Management Personnel will be submitted to endorsement by the Board. No member of the RC is involved in setting his or her remuneration package. As and when deemed appropriate by the RC, independent expert advice will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Principle 8 – Level and Mix of Remuneration

The RC recommends to the Board the quantum of directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of directors' fees, the Company has recommended for the directors' fees amounting to S$145,000 to be paid on a half yearly basis in arrears for the financial year ending 31 December 2018 once approval is obtained from shareholders at the forthcoming AGM.

For FY2017, a recommendation would be made to shareholders to approve the payment of S$145,000 to the Non-Executive Directors.

The remuneration packages take into consideration the performance of the Group and individual assessment of each Non-Executive Director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the Executive Director and Key Management Personnel, each of their service agreements and/or compensation packages is reviewed by the RC. These service agreements cover the terms of employment and specifically, the salaries and bonuses of the Executive Director and Key Management Personnel. The Company may terminate a service agreement if, inter alia, the relevant Executive Director or Key Management Personnel is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise acts in breach of the service agreement so as to materially prejudice the business of the Company or Group.

The Company has entered into a service agreement (the "**Service Agreement**") with the Executive Director and CEO, namely, Alexis Teo. Please refer to our Offer Document dated 13 July 2017, from pages 195 to 197 for the details of the Service Agreement.

The RC will ensure that the Independent Directors are not overcompensated to the extent that their independence may be compromised. Non-Executive Directors are able to participate in the Share Option Scheme and PSP (as defined below) and hold shares in the Company so as to better align their interests with the interests of shareholders.

During FY2017, the RC had reviewed the compensation and remuneration packages and believes that the remuneration of Directors and Key Management Personnel commensurate with their respective roles and responsibilities. For FY2017, the Company did not engage any external remuneration consultants to assist in the review of compensation and remuneration packages.

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There are no termination, retirement and post-employment benefits that may be granted to the Directors, the Chairman, CEO and top 3 Key Management Personnel.

As the Company is newly listed, it has not adopted the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. It shall consider such use of contractual provisions in future or at a more appropriate juncture depending on factors such as the scale and size of the Group's operations.

Principle 9 – Disclosure on Remuneration

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2017 is set out below:

Directors	Salary[2] (%)	Fixed Bonus[2] (%)	Variable Bonus[2] (%)	Director's Fees[1] (%)	Total[l] (%)	Total[5] (S$)
From S$250,001 to S$500,000						
Alexis Teo[3]	80	7	13	–	100	281,340
Up to S$250,000						
Teo Kiang Ang	–	–	–	100	100	50,000
Loo Hock Leong	–	–	–	100	100	35,000
Lim Chwee Kim	–	–	–	100	100	30,000
Heng Chye Kiou	–	–	–	100	100	30,000

There are only three (3) top Key Management Personnel in the Company for FY2017. The breakdown (in percentage terms) of the remuneration of 3 top Key Management Personnel (who are not also Directors) of the Group for FY2017 is set out below:

Remuneration Band and Name of Key Management Personnel	Designation	Salary[2] (%)	Fixed Bonus[2] (%)	Variable Bonus[2] (%)	Total (%)
Up to S$250,000					
Chng Geok[4]	Finance Director	93	7	–	100
Sylvia Lio	Chief Accounting Officer	79	6	15	100
Sie Kok Khiam	Senior Manager (LPG)	83	–	17	100

Notes:

1. *The director's fees are subject to shareholders' approval at the coming AGM.*
2. *The salary, fixed and variable bonus amounts shown are inclusive of Singapore's Central Provident Funds contributions. The Executive Director and Key Management Personnel are not entitled to any allowances. The fixed and variable bonuses comprised an annual wage supplement of one month basic salary.*
3. *Remuneration of Ms Alexis Teo is calculated based on the Service Agreement.*
4. *Appointed on 1 September 2017.*
5. *Rounded to the nearest one thousand dollars.*

As the roles and responsibilities performed by Key Management Personnel are of a competitive nature and may be highly sought after both within and outside Group, the disclosure of the total remuneration as recommended by the Code may not be in the best interest of the Group. In aggregate, the total remuneration paid to the 3 top Key Management Personnel was S$249,300 in FY2017. There is no employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2017.

The remuneration received by the Executive Director and Key Management Personnel takes into consideration his or her individual performance and contribution toward the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The Executive Director's fixed compensation consists of an annual base salary and annual wage supplement as set out on pages 195 and 197 of the Company's offer document dated 13 July 2017. For the Key Management Personnel, the variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

SHARE OPTION SCHEME

On 19 June 2017, the shareholders adopted the "Union Gas Employee Share Option Scheme" (the "**Share Option Scheme**"). The Share Option Scheme has been assigned by the Board of Directors to be administered by our Remuneration Committee (the "**Committee**").

The primary objective of establishing the Share Option Scheme is to provide eligible participants (the "**Participants**") with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Share Option Scheme, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain directors (including Independent Directors) and employees of the Group whose services are vital to our well-being and success. The other objectives of the Share Option Scheme are as follows:

- to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;
- to retain key employees and Directors whose contributions are essential to the long term growth and profitability of the Group;
- to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of the Group;
- to attract potential employees with relevant skills to contribute to our Group and to create value for shareholders of the Company; and
- to align the interests of Participants with the interests of our shareholders.

The Share Option Scheme allows for participation by confirmed employees and directors (including Independent Directors) of the Group and its associated companies, who have attained the age of 21 years on or before the relevant Offer Date, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. The aggregate number of shares in the capital of the Company ("**Shares**") which may be offered by way of grant of options to the controlling shareholder and their respective associates under the Share Option Scheme shall not exceed 25% of the total number of Shares available under the Share Option Scheme, with the number of Shares which may be offered by way of grant of options to each controlling shareholder and his respective associate not exceeding 10% of the total number of Shares available under the Share Option Scheme.

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The total number of Shares over which the Committee may grant options on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme (including the PSP (as defined herein) and any other share schemes of our Company) shall not exceed 15% of the number of all issued Shares (excluding treasury shares) on the day preceding the date of the relevant grant.

No Option or Share has been awarded to any Participant under the Share Option Scheme since adoption including in FY2017. The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Committee:

(a) set at a discount to a price equal to the average of the last dealt prices for the Shares on the SGX-ST for the five (5) consecutive market days, on which transactions in the Shares were recorded, immediately preceding the relevant Offer Date of the relevant option (the "**Market Price**") subject to a maximum discount of 20% (the "**Incentive Options**"); or

(b) fixed at the Market Price (the "**Market Price Options**").

Subject as provided in the Share Option Scheme and any other conditions as may be introduced by the Committee from time to time, a Market Price Option or an Incentive Option, as the case may be, shall be exercisable, in whole or in part, as follows:

(a) in the case of a Market Price Option, during the period commencing after the first anniversary of the offer date to grant an Option ("**Offer Date**") and expiring on the tenth anniversary of the Offer Date (or such shorter period if so determined by the Committee); and

(b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Offer Date, provided always that the Options granted to employees and executive directors of the Group and its associated companies shall be exercised before the tenth anniversary of the relevant Offer Date (or such shorter period if so determined by the Committee), and Options granted to non-executive directors of the Group and its associated companies shall be exercised before the fifth anniversary of the relevant Offer Date (or such shorter period if so determined by the Committee).

The Share Option Scheme shall continue in operation for a maximum period of 10 years commencing on the date of the Company's listing on the SGX-ST, provided that the Share Option Scheme may continue for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

PERFORMANCE SHARE PLAN

On 19 June 2017, the shareholders adopted the "Union Gas Performance Share Plan" (the "**PSP**"). The PSP has been assigned by the Board of Directors to be administered by our Remuneration Committee (the "**Committee**").

The PSP was established to increase our Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees, executive directors and non-executive directors of the Group and its associated companies to achieve increased performance. The Directors believe that in addition to the Share Option Scheme, the PSP will further strengthen the Company's competitiveness in attracting and retaining superior local and foreign talent.

The PSP allows our Company to target specific performance objectives and to provide an incentive for eligible participants ("**Participants**") to achieve these targets. The Directors believe that the PSP will provide the Company with a flexible approach to provide performance incentives to the employees, executive directors and non-executive directors of the Group and its associated companies and, consequently, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management, senior executives and non-executive directors.

The awards granted under the PSP represent the right of a participant to receive fully paid Shares free of charge provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period (the "**Awards**").

Under the PSP, the selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant will be determined at the absolute discretion of the Committee based on, amongst others, his rank, job performance, creativity, innovativeness, entrepreneurship, years of service, potential for future development and his contribution to the success and development of the Group and if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period. The performance period, vesting period and other conditions will be determined by the Committee administering the PSP.

The PSP allows for participation by confirmed full time employees, executive directors and non-executive directors (including Independent Directors) of the Group and its associated companies who have attained the age of 21 years on or before the relevant date of grant of the Award. The aggregate number of Shares which may be issued or transferred to the controlling shareholder and their respective associates under the PSP shall not exceed 25% of the total number of Shares available under the PSP, with the number of Shares which may be delivered to each controlling shareholder and his respective associate not exceeding 10% of the total number of Shares available under the PSP.

The total number of Shares over which may be issued or transferred pursuant to the vesting of Awards, when added to the number of shares issued and issuable in respect of all Awards granted under the PSP (including shares issued and/or issuable under any other share-based incentive schemes or share plans of the Company) shall not exceed 15% of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

Further details on the Company's PSP is set out on pages 210 to 219 of the Company's Offer Document dated 13 July 2017

No Award or Shares has been awarded to any Participant under the PSP since its adoption and in FY2017.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides the Board and Board Committees on a timely basis, with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates, in order that it may effectively discharge its duties. The Company adopts a policy which welcomes directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

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For further accountability, the announcements containing the half year financial statements are signed by the Executive Director and CEO, Ms Alexis Teo, and the Lead Independent Director, Mr Loo Hock Leong, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results contained in the announcement to be false or misleading in any material aspects. The Board approves the financial results after review and authorises the release of the results on SGXnet and the public. The Company also uploads latest announcement(s) which has been disseminated via SGXnet on its website http://www.uniongas.com.sg

Principle 11 – Risk Management and Internal Controls

The Board has the overall responsibility for the Group's risk management and internal controls in safeguarding shareholders' interests and the Group's assets. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The AC, on behalf of the Board, reviews the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by Management on an annual basis. For FY2017, the AC had reviewed the Group's Enterprise Risk Management Policy before its adoption by the Board.

Management also regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC.

For FY2017, the Board had received assurance from the CEO, the Finance Director and the Chief Accounting Officer that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the Company's risk management and internal control systems are adequate and effective.

The design, implementation and operation of the accounting and internal control systems are intended to prevent and detect fraud and errors. The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system of internal controls can provide absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, losses, fraud or other irregularities.

Based on the framework of risk management and internal controls established and maintained by the Management, reviews carried out by the AC, the report on the enterprise risk management of the Group, work performed by the internal auditors and external auditors, and assurance from the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management systems and system of internal controls is adequate and effective as at 31 December 2017 in addressing financial, operational, compliance and information technology risks.

Principle 12 – Audit Committee ("AC")

The AC comprises three members, all of whom are Non-Executive and Independent Directors. The members of the AC are:

– Loo Hock Leong (Chairman)
– Lim Chwee Kim
– Heng Chye Kiou

The terms of reference of the AC include the following:

a) review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

b) review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risks management systems (such review can be carried out internally or with the assistance of any competent third parties);

c) review the effectiveness and adequacy of the Group's internal audit function at least annually, including the determination whether the internal auditor has direct and unrestricted access to the Chairman of the Board and AC, and is able to meet separately to discuss matters/concerns;

d) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;

f) review the system of internal controls and management of financial risks with the internal and external auditors;

g) review the co-operation given by the Management to the external auditors and the internal auditors, where applicable;

h) keep abreast of changes in accounting standards and issues which have a direct impact on financial statements;

i) conduct an annual assessment of its performance against its Terms of Reference duties and responsibilities and provide a report of the findings to the Board;

j) review the assurance provided by the CEO, Finance Director and the Chief Accounting Officer regarding the financial records being properly maintained and the financial statements giving a true and fair view of the company's operations and finances;

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k) participate in the appointment, replacement or dismissal of the head of internal audit or, if an external party, the internal auditor;

l) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time;

m) review and approve interested person transactions and review procedures thereof;

n) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

o) review the risk management framework with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXnet;

p) investigate any matters within its terms of reference;

q) review the policy and arrangements, by which the staff or any third party may, in confidence, raise concerns about possible improprieties including matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up;

r) where the AC deems necessary, to commission and review the findings of any internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position;

s) where the AC deems necessary, to commission an annual internal control audit until such time as the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses (if any);

t) To report to the Board its findings from time to time on matters arising and requiring the attention of the Committee or to undertake such other reviews and projects as may be requested by the Board; and

u) To undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any Director or Key Management Personnel to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and Key Management Personnel, as and when required, were invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC had met up with the internal and external auditors without the presence of Management in February 2018. The external auditors were also invited to be present at AC meetings, as and when required, held during FY2017 to, inter alia, answer or clarify any matter on accounting and auditing or internal controls.

The aggregate amount of expense paid or payable to RSM Chio Lim LLP ("**RSM**") for FY2017 are as follows:

Description of Services	Amount	Percentage
Audit fees	S$68,000	20%
Non-audit fees	S$9,750	3%
IPO-related fees	S$270,000	77%
Total	S$347,750	100%

The AC has reviewed the non-audit services in relation to non-audit services provided by RSM. The Board, with the concurrence of the AC is of the opinion that the independence and objectivity of the external auditors have not been affected as a substantial amount of non-audit fees paid in FY2017 was for the IPO of the Company and is not expected to be recurring.

The AC and the Board are of the view that RSM is adequately resourced. RSM is also registered with the Accounting and Corporate Regulatory Authority. The AC has recommended to the Board the re-appointment of RSM as external auditors of the Company at the forthcoming AGM of the Company.

The Group has not appointed different auditors for its subsidiaries and significant associated companies and is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of external auditors.

The Company's whistle-blowing programme serves to encourage and to provide a channel for staff of the Group and any external parties to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters. To facilitate independent investigation of such matters and appropriate follow up actions, all whistle-blowing reports are directed to the whistle blowing committee via a dedicated email address (wbc@uniongas.com.sg). The whistle-blowing programme has been communicated to all staff.

The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. Depending on the nature of the concern raised or information provided, the investigation may be conducted involving one or more of these persons or entities:

- The investigation panel directed by the AC;
- The external or internal auditor; and/or
- Forensic professionals.

For FY2017, the Board had concluded, with the help of the NC, that the members of the AC are appropriately qualified to discharge their duties and responsibilities. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. The AC chairman is a Chartered Accountant with the Institute of Singapore Chartered Accountants, and possesses a Masters of Applied Finance from the Macquarie University with three distinguished awards. The AC chairman has also been the Chief Financial Officer of Parkway Trust Management Limited, Manager of Parkway Life REIT since January 2009. For FY2017, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards by the external auditors in the course of their report to AC.

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Principle 13 – Internal Audit

The AC relies on reports from the Management and external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto.

Currently, the Group has outsourced its internal audit function to Yang Lee & Associates (the "IA") which reports directly to the AC. The IA has an administrative reporting function to Management where planning, co-ordinating, managing and implementing internal audit work cycle are concerned. The work undertaken by the IA, are carried out in accordance with the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA will report their audit findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that the IA is adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

Principle 15 – Communication with Shareholders

Principle 16 – Conduct of Shareholder Meetings

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information is communicated to our shareholders via:

– annual reports – the Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules; and

– SGXnet and press releases on major developments of the Group.

SGXnet disclosures and press releases of the Group are also available on the Company's website at http://www.uniongas.com.sg

The Company has appointed an investor relations firm to focus on facilitating communications with shareholders and attending to their queries and concerns. At the forthcoming AGM, shareholders will be given the opportunity to air their views and ask Directors or Management questions regarding the Company and the Group. The notice of AGM will be sent together with the annual report, released on SGXnet and on the Company's website as well as published in the newspapers to inform shareholders of the upcoming meeting.

The Board, Management and the external auditors will also be present to address any relevant queries the shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and the minutes of the AGM will be made available to shareholders, upon their request.

The Company's Constitution do not allow for abstentia voting at general meetings of shareholders as authentication of shareholder identity information and other related security issues remains a concern. However, the Constitution does allow a shareholder to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. A shareholder of a company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), the Company allows a shareholder who is a relevant intermediary to appoint more than 2 proxies to attend and vote in his stead at the forthcoming AGM.

At the forthcoming AGM, pursuant to Catalist Rule 730A(2), all resolutions will be put to vote by way of a poll, and their detailed results will be announced via SGXnet after the conclusion of the AGM.

Although the Company does not have a fixed dividend policy, as disclosed on page 61 of the Company's Offer Document dated 13 July 2017 and subject to the factors described therein, the Directors intend to recommend and distribute dividends of not less than 50.0% of the Group's net profits attributable to shareholders in FY2017. As such, the Board has proposed a first and final dividend of S$0.01 per ordinary share for FY2017 which will be subject to shareholders' approval at the forthcoming AGM.

(E) DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities, which has been disseminated to all Directors and employees within the Group. The Company will also send a notification via email to notify all its Directors and officers a day prior to the close of window for trading of the Company's securities.

The Company, its Directors and officers of the Company are reminded not to deal (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities and Futures Act, Cap 289. The internal code on dealings in securities also makes clear that the Company, its Directors and officers should not deal in the Company's securities and securities of other listed companies, while in possession of unpublished price-sensitive information and prohibits trading as well as in the following periods:

i) the period commencing one month before the announcement of the Company's financial statements for its half year and full financial year.

Each of the above periods will end on the date of the announcement of the relevant financial results of the Company.

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(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

On 30 June 2017, our Group reimbursed Sembas at cost amounting to approximately S$460,000 for the payment on behalf of our Group for GST for the quarter of April 2017 to June 2017 ("GST payment"). Other than the Restructuring Exercise and interested person transactions ("IPT") as disclosed from pages 71 to pages 73 and pages 149 to 179 respectively of the Offer Document, the GST payment and below, there were no additional IPT of S$100,000 and above during FY2017.

Our Group has a general mandate for IPTs ("Shareholders' Mandate") set out in the following table, which has been effective since 21 July 2017, upon the listing of the Company on Catalist. The details of the Shareholders' Mandate are set out from page 169 to page 177.

Name of Interested Person	Aggregate value of all interested person transactions (excluding transactions of less than S$100,000 each and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules) during FY2017 (S$'000)	Aggregate value of all interested person transactions (including transactions of less than S$100,000 each) during FY2017 under Shareholders' Mandate pursuant to Rule 920 of the Catalist Rules (S$'000)
Sale of diesel at the fuel station to Sembas and Summit Gas Systems Pte. Ltd.	–	103
Provision of IT Infrastructure services to Sembas	–	184
Sale of diesel in bulk to Sembas	–	677
Purchase of health products from Health Domain Pte. Ltd.	–	24
Purchase of electricity from Union Power Pte. Ltd.	–	134

(G) USE OF PROCEEDS (CATALIST RULE 1204(5F) AND (22))

The Company raised gross proceeds from the IPO of approximately S$7.50 million (the "Gross Proceeds"). As at 26 March 2018, the Gross Proceeds have been utilised as follows:

Purpose	Allocation of Gross Proceed (as disclosed in the Offer Document) (S$'000)	Gross Proceed utilised as at 26 March 2018 (S$'000)	Balance of Gross Proceed as at 26 March 2018 (S$'000)
Acquisition of dealers for our Retail LPG Business	4,000	–	4,000
Diversification into the supply and retail of piped natural gas to customers in the services and manufacturing industries in Singapore	1,000	–	1,000
General working capital	724	–	724
Listing expenses	1,776	1,633	143
	7,500	1,633	5,867

The above utilisation is in accordance with the intended use of proceeds of IPO as stated in the Offer Document dated 13 July 2017.

The Company will continue to make periodic announcement via SGXnet on the utilisation of the balance of the gross proceeds from the IPO as and when such proceeds are materially disbursed.

(H) MATERIAL CONTRACTS

Save for the above interested person transactions and the contracts as disclosed on page 234 of the Company's Offer Document dated 13 July 2017, there was no other material contract involving the interests of any Director or controlling shareholders of the Company which has been entered into by the Group, which are either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

(I) NON-SPONSOR FEES (CATALIST RULE 1204(21))

There were no non-sponsor fees paid to the Company's Sponsor, CIMB Bank Berhad, Singapore Branch, subsequent to the Company's listing on the Catalist of the SGX-ST to the date of printing of this Annual Report.

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STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of Union Gas Holdings Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

The directors of the Company in office at the date of this statement are:

Teo Kiang Ang	
Teo Soak Theng Alexis	
Loo Hock Leong	(appointed on 20 June 2017)
Lim Chwee Kim	(appointed on 20 June 2017)
Heng Chye Kiou	(appointed on 20 June 2017)

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

	Direct interest			Deemed interest		
The Company	**At beginning of reporting year**	**At end of reporting year**	**At 21 January 2018**	**At beginning of reporting year**	**At end of reporting year**	**At 21 January 2018**
Teo Kiang Ang	2	140,943,500	140,963,500	–	–	–
Lim Chwee Kim	–	400,000	400,000	–	–	–

By virtue of section 7 of the Act, Mr. Teo Kiang Ang is deemed to have interests in all the related corporations of the Company.

4. Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

STATEMENT BY DIRECTORS

5. Share options

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted.

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

- Loo Hock Leong (Chairman)
- Lim Chwee Kim
- Heng Chye Kiou

All members of the AC are non-executive directors and are independent.

The AC performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent auditor their audit plan;

- Reviewed with the independent auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;

- Reviewed the financial statements and the independent auditor's report on the financial statements of the Group and Company before their submission to the board of directors for adoption;

- Reviewed the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management through reviews carried out by the internal auditor;

- Met with the independent auditor, other committees and management in separate executive sessions to discuss any matters that these parties believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the independent auditor;

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

6. Audit committee (Continued)

Other functions performed by the AC are described in the Corporate Governance Report included in the annual report. It also includes an explanation of how independent auditor objectivity and independence are safeguarded where the independent auditor provides non-audit services, if any.

The AC has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next Annual General Meeting of the Company.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the independent auditor, and reviews performed by management, other committees of the board and the board, the AC and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2017.

On behalf of the directors

....	....
Teo Kiang Ang	Teo Soak Theng Alexis
Director	Director

26 March 2018

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF UNION GAS HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Union Gas Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Please refer to note 2A on the relevant accounting policy and note 5 on revenue.

During the reporting year ended 31 December 2017, the Group recorded revenue from the sale of liquefied petroleum gas ("LPG") and LPG-related accessories, and the sale of compressed natural gas and diesel, amounting to $23.3 million and $15.8 million, respectively.

We have identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group. In addition, under SSA 240 *The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements*, revenue recognition is a presumed fraud risk.

The Group's customer information, billing data and general ledger accounting records are maintained and processed by the Group's information technology ("IT") system. Accordingly, using our internal IT specialists, the audit team reviewed the adequacy of the overall general controls of the Group's IT system.

Key audit matters (Continued)

Revenue recognition (Continued)

In addition, with the assistance from our internal IT specialists, the audit team also evaluated the Group's IT application controls relevant to the revenue process, including controls covering:

– Input and processing of revenue transactions;

– Amendments to master and standing data; and

– User access to the application.

Further, the audit team also performed the following:

– Tests of details on the revenue transactions using data analytics techniques and other substantive audit procedures, where appropriate;

– Assessed whether customer loyalty programmes, if any, had been accounted for properly; and

– Performed cut-off tests to check whether the Group had complied with proper cut-off procedures and revenue was recognised in the appropriate accounting period.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S **REPORT**

TO THE MEMBERS OF UNION GAS HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities for the audit of the financial statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Tan Khai-Chung.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

26 March 2018

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	5	**39,186**	35,725
Cost of sales		**(25,341)**	(24,128)
Gross profit		**13,845**	11,597
Other gains	6	**61**	34
Other income	7	**693**	321
Marketing and distribution costs	8	**(6,847)**	(6,344)
Administrative expenses	9	**(3,411)**	(784)
Finance costs	10	**(35)**	(42)
Other losses	6	**(84)**	(34)
Profit before tax		**4,222**	4,748
Income tax expense	12	**(747)**	(788)
Profit, net of tax and total comprehensive income for the year		**3,475**	3,960
		Cents	Cents
Basic and diluted earnings per share	13	**1.89**	2.33

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**9,445**	9,122	**–**	–
Investments in subsidiaries	16	**–**	–	**10,800**	10,800
Total non-current assets		**9,445**	9,122	**10,800**	10,800
Current assets					
Inventories	17	**319**	271	**–**	–
Trade and other receivables	18	**1,447**	9,309	**4,103**	5
Other assets	19	**145**	263	**22**	83
Cash and cash equivalents	20	**16,098**	1,149	**4,835**	39
Total current assets		**18,009**	10,992	**8,960**	127
Total assets		**27,454**	20,114	**19,760**	10,927
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	21	**17,069**	10,000	**17,069**	10,000
Retained earnings		**4,560**	1,085	**2,443**	(12)
Merger reserve	22	**(1,800)**	(1,800)	**–**	–
Total equity		**19,829**	9,285	**19,512**	9,988
Non-current liabilities					
Deferred tax liabilities	12	**656**	424	**–**	–
Other financial liabilities	23	**287**	525	**–**	–
Provisions	24	**300**	247	**–**	–
Total non-current liabilities		**1,243**	1,196	**–**	–
Current liabilities					
Income tax payable		**655**	577	**–**	–
Trade and other payables	25	**5,005**	8,436	**248**	939
Other financial liabilities	23	**722**	620	**–**	–
Total current liabilities		**6,382**	9,633	**248**	939
Total liabilities		**7,625**	10,829	**248**	939
Total equity and liabilities		**27,454**	20,114	**19,760**	10,927

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Retained earnings $'000	Merger reserve $'000	Total equity $'000
Group				
2016				
At 1 January 2017	**10,000**	**1,085**	**(1,800)**	**9,285**
Total comprehensive income for the year	**–**	**3,475**	**–**	**3,475**
Contributions by and distributions to owners				
New shares issued pursuant to Initial Public Offering ("IPO")	**7,500**	**–**	**–**	**7,500**
IPO expenses capitalised	**(431)**	**–**	**–**	**(431)**
	7,069	**–**	**–**	**7,069**
At 31 December 2017	**17,069**	**4,560**	**(1,800)**	**19,829**
2016				
At 1 January 2016	10,000	1,390	(1,800)	9,590
Total comprehensive income for the year	–	3,960	–	3,960
Contributions by and distributions to owners				
Dividends paid (note 14)	–	(4,265)	–	(4,265)
At 31 December 2016	10,000	1,085	(1,800)	9,285

	Share capital $'000	Retained earnings $'000	Total equity $'000
Company			
2016			
At 1 January 2017	**10,000**	**(12)**	**9,988**
Total comprehensive income for the year	**–**	**2,455**	**2,455**
Contributions by and distributions to owners			
New shares issued pursuant to IPO	**7,500**	**–**	**7,500**
IPO expenses capitalised	**(431)**	**–**	**(431)**
	7,069	**–**	**7,069**
At 31 December 2017	**17,069**	**2,443**	**19,512**
2016			
At 3 October 2016 (date of incorporation)	10,000	–	10,000
Total comprehensive loss for the period	–	(12)	(12)
At 31 December 2016	10,000	(12)	9,988

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from operating activities		
Profit before tax	**4,222**	4,748
Interest income	**(21)**	–
Interest expense	**35**	42
Depreciation of property, plant and equipment	**1,967**	1,096
Gain on disposal of property, plant and equipment	**(60)**	(34)
Listing expenses	**1,202**	–
Operating cash flows before changes in working capital	**7,345**	5,852
Inventories	**(48)**	(60)
Trade and other receivables	**(64)**	(725)
Other assets	**118**	(202)
Trade and other payables	**(3,378)**	410
Net cash flows from operations	**3,973**	5,275
Income taxes paid	**(437)**	(792)
Net cash flows from operating activities	**3,536**	4,483
Cash flows from investing activities		
Purchase of property, plant and equipment (note 20A)	**(1,997)**	(2,613)
Proceeds from disposal of property, plant and equipment	**359**	46
Other receivables from related party	**7,926**	(4,284)
Interest income received	**21**	–
Net cash flows from/(used in) investing activities	**6,309**	(6,851)
Cash flows from financing activities		
Repayment of other financial liabilities	**(728)**	(600)
Gross proceeds from IPO	**7,500**	–
Listing expenses paid	**(1,633)**	–
Interest expense paid	**(35)**	(42)
Net cash flows from/(used) in financing activities	**5,104**	(642)
Net increase/(decrease) in cash and cash equivalents	**14,949**	(3,010)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	**1,149**	4,159
Cash and cash equivalents, consolidated statement of cash flows, ending balance (note 20)	**16,098**	1,149

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION AND BUSINESS RESTRUCTURING

1.1 Corporate information

Union Gas Holdings Pte. Ltd. (the "Company") was incorporated on 3 October 2016 under the Companies Act as a private limited company domiciled in Singapore. On 22 June 2017, the Company was converted to a public company limited by shares and changed its name to Union Gas Holdings Limited. On 21 July 2017, the Company was listed on the Catalist Board (the "Catalist") of Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 25 Genting Road, #04-01 Union Energy Group Building, Singapore 349482.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries are disclosed in note 16 to the consolidated financial statements.

The consolidated financial statements are expressed in Singapore dollars ("SGD") and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

1.2 Reorganisation

The Group undertook the following transactions as part of a corporate reorganisation implemented in preparation for its listing on the Catalist (the "Reorganisation"):

(i) Incorporation of the Company

The Company was incorporated on 3 October 2016 with an initial share capital of $2 comprising two shares held by Mr. Teo Kiang Ang (the "Controlling Shareholder").

On 17 April 2017, the Company issued an aggregate of 9,999,998 shares to the Controlling Shareholder for a consideration of $9,999,998. Accordingly, the issued and paid-up capital of the Company increased to $10,000,000 comprising 10,000,000 shares.

(ii) Acquisitions of Union Energy Pte Ltd ("UEPL") and Union Gas Pte Ltd ("UGPL")

Pursuant to an agreement dated 31 March 2017 entered into between the Company and Union Energy Corporation Pte Ltd, the then-existing shareholder of UEPL and UGPL, the Company acquired the entire issued and paid-up capital of UEPL and UGPL for an aggregate consideration of $10,800,000, which was determined based on the combined net asset values of UEPL and UGPL as recorded in their respective unaudited management accounts as at 28 February 2017.

(iii) Sub-division of shares

On 22 June 2017, 10,000,000 shares in the capital of the Company were sub-divided into 170,000,000 shares (the "Sub-Division").

1. GENERAL INFORMATION AND BUSINESS RESTRUCTURING (CONTINUED)

1.2 Reorganisation (Continued)

Prior to the Reorganisation and up until 31 March 2017, UEPL and UGPL were controlled by the Controlling Shareholder.

The Reorganisation is, therefore, considered to be a business combination involving entities or businesses under common control and is accounted for by applying the pooling of interests method as disclosed in note 2A. Although the Reorganisation occurred subsequent to the year ended 31 December 2016, the consolidated financial statements present the financial position and financial performance as if the businesses had always been combined since the beginning of the earliest period presented.

Pursuant to the completion of the Reorganisation, UEPL and UGPL became wholly owned subsidiaries of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Accounting convention

The financial statements of the company as the reporting entity have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed at the end of this note to the financial statements, where applicable.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at the end of the reporting year. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

The consolidated financial statements of the Group for the reporting years ended 31 December 2016 and 2017 have been prepared using the pooling of interest method as the Reorganisation described in note 1.2 is a legal reorganisation of businesses or entities under common control. Such manner of presentation reflects the economic substance of the combining entities as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the completion of the Reorganisation. Accordingly, the Company has been treated as the holding company of its subsidiaries for the reporting years presented rather than from the date of completion of the Reorganisation.

Business combinations involving businesses or entities under common control

Business combinations involving businesses or entities under common control are accounted for by applying the pooling of interest method which involves the following:

- Assets, liabilities, reserves, revenue and expenses of combined business or entities are reflected at their existing amounts;
- The retained earnings recognised in the consolidated financial statements are the retained earnings of the combining entities or businesses immediately before the combination;
- No additional goodwill is recognised as a result of the combination; and
- The statement of comprehensive income reflects the results of the combining entities or businesses for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities or businesses had always been combined since the date the entities or businesses had come under common control.

Segment reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes, estimated returns, discounts and volume rebates. Revenue from the sale of liquefied petroleum gas ("LPG"), compressed natural gas ("CNG") and diesel are recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Interest income is recognised using the effective interest method. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Government grant

Government grant is recognised at fair value when there is reasonable assurance that the conditions attached to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant. A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position. The interest saved from government loans is regarded as additional government grant.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Foreign currency transactions

The functional currency is the Singapore Dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss. The presentation of the financial statement is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements, the assets and liabilities denominated in other currencies are translated at year end rates of exchange and profit or loss items are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that investee.

Income tax

Income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws by the end of the reporting year; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income; and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the financial entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold land and buildings	–	12%, i.e., over the term of lease
Plant and equipment	–	6.67% to 33.33%
Motor vehicles	–	10%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at the end of each reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when incurred.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at the end of each reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At the end of each reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial assets

Initial recognition, measurement and de-recognition

A financial asset is recognised on the statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets at fair value is normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit and loss are expensed immediately. The transactions are recorded at the trade date.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the de-recognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement

Subsequent measurement based on the classification of financial assets in one of the following four categories under FRS 39 is as follows:

(i) Financial assets at fair value through profit and loss: As at end of the reporting year, there were no financial assets classified in this category.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically, trade and other receivables are classified in this category.

(iii) Held-to-maturity financial assets: As at end of the reporting year, there were no financial assets classified in this category.

(iv) Available-for-sale financial assets: As at end of the reporting year, there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and de-recognition

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is de-recognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

(i) Liabilities at fair value through profit and loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

(ii) Other financial liabilities: All liabilities which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors that could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated, or the carrying amounts written off or written down for technically obsolete or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the Group's class of assets at the end of the reporting year affected by the assumption are disclosed in note 15.

Allowance for doubtful receivables

An allowance is made for doubtful receivables for estimated losses resulting from the subsequent inability of customers to make the required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future reporting years. Management generally analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating adequacy of allowance for doubtful receivables.

To the extent that it is feasible, impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the carrying amount of the receivables approximates the fair value and the carrying amount might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amounts of the Group's receivables are disclosed in note 18.

Deposits for LPG cylinders

Included in trade and other payables are deposits for LPG cylinders. Management has measured these amounts based on the estimated number of cylinders in circulation and held by customers, and taking into account the probable rates of refund that will be made to these customers when they eventually return the LPG cylinders to the Group.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose:

(a) transactions with its related parties; and

(b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties.

A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is the Controlling Shareholder.

3A. Related companies

Related companies in these financial statements include members of the Company's group of companies.

Intra-group transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Related parties other than related companies

Related parties in these financial statements refer to the entities controlled by the Controlling Shareholder and are outside the Group.

There are transactions and arrangements between the Group and related parties and the effects of these, on the basis determined between the parties, are reflected in these consolidated financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in the notes to the consolidated financial statements, other significant related party transactions include:

	Group	
	2017	**2016**
	$'000	**$'000**
Acquisition of motor vehicles	**1,219**	3,206
Call centre charges	**169**	–
Contract labour	**107**	695
Disposal of motor vehicles	**231**	–
Purchase of diesel	**–**	8
Purchase of electricity	**134**	–
Purchase of health products	**24**	36
Purchase of LPG	**10,556**	11,701
Rental expense of motor vehicles	**53**	1,139
Rental income from motor vehicles	**58**	18
Sale of diesel	**790**	232
Service charges	**1,366**	4,071
Service fee for provision of IT infrastructure service	**184**	–
Servicing fees	**16**	52

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Key management compensation

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries and other short-term employee benefits	**676**	199

The above amount is included in employee benefits expense. Included in the above amounts are the following items:

	Group	
	2017	**2016**
	$'000	**$'000**
Remuneration of directors	**281**	–
Fees to directors	**145**	–

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

Prior to October 2016, key management compensation of the Group were borne by a related party.

3D. Other receivables from and other payables to related parties

Trade transactions and trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the consolidated financial statements.

Movements in other receivables from and other payables to related parties are as follows:

	Related parties	
	2017	**2016**
	$'000	**$'000**
Group		
Other receivables/(payables)		
At beginning of year	**4,134**	6,569
Amounts paid out and settlements of liabilities on behalf of another party, net	**–**	1,830
Amounts paid in and settlements of liabilities on behalf of the Group	**(4,139)**	–
Dividends (note 14)	**–**	(4,265)
At end of year (notes 18 and 25)	**(5)**	4,134

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3D. Other receivables from and other payables to related parties (Continued)

	Related parties	
	2017	**2016**
	$'000	**$'000**
Company		
Other payables		
At beginning of year	**800**	800
Amounts paid out and settlements of liabilities on behalf of another party, net	**(800)**	–
At end of year (note 25)	**–**	800

	Directors	
	2017	**2016**
	$'000	**$'000**
Group and Company		
Other payables		
At beginning of year	**130**	–
Amounts paid in and settlements of liabilities on behalf of the Company	**(130)**	130
Fees to directors	**145**	–
At end of year (note 25)	**145**	130

3E. Guarantees

The Controlling Shareholder and the Company have provided guarantees to a bank in relation to performance guarantees issued in favour of suppliers on behalf of the Group. There was no charge levied.

The following table shows the amounts of performance guarantees utilised at the end of the reporting year:

	Group	
	2017	**2016**
	$'000	**$'000**
Performance guarantees utilised	**1,285**	2,027

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

4. SEGMENT INFORMATION

4A. Primary analysis by business segment

For management purposes, the Group is organised into the following two major operating segments that offer different products:

1) Retail LPG business, which includes the sale and distribution of bottled LPG and LPG-related accessories and provision of LPG-related services to domestic households; and

2) Retail station business, which includes the retail sale of CNG and diesel to vehicles in Singapore, through a CNG and diesel refilling station at 50 Old Toh Tuck Road in Singapore.

This is determined by the nature or risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It also represents the basis on which management reports the primary segment information.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Retail LPG $'000	Retail station $'000	Corporate $'000	Total $'000
Group				
2017				
External revenue	23,341	15,845	–	39,186
Segment results				
Finance costs	(9)	(26)	–	(35)
Profit/(loss) before tax	5,076	492	(1,346)	4,222
Income tax expense	(762)	15	–	(747)
Profit, net of tax	4,314	507	(1,346)	3,475
Segment assets	9,785	12,794	4,875	27,454
Segment liabilities	4,781	2,596	248	7,625
Other segment information				
Capital expenditure	(2,122)	(467)	–	(2,589)
Depreciation expense	(838)	(1,129)	–	(1,967)
Impairment losses	(23)	(58)	–	(81)

4. SEGMENT INFORMATION (CONTINUED)

4A. Primary analysis by business segment (Continued)

	Retail LPG $'000	Retail station $'000	Corporate $'000	Total $'000
Group				
2016				
External revenue	21,244	14,481	–	35,725
Segment results				
Finance costs	(42)	–	–	(42)
Profit/(loss) before tax	2,357	2,403	(12)	4,748
Income tax expense	(345)	(443)	–	(788)
Profit, net of tax	2,012	1,960	(12)	3,960
Segment assets	6,221	13,765	128	20,114
Segment liabilities	5,672	4,218	939	10,829
Other segment information				
Capital expenditure	(4,397)	(1,422)	–	(5,819)
Depreciation expense	(148)	(948)	–	(1,096)
Impairment losses	(5)	(8)	–	(13)

4B. Geographical information

As the business activities of the Group are conducted in Singapore, the reporting format by geographical segment is not presented.

4C. Information on major customers

There were no customers with revenue transactions in excess of 10% of the Group's revenue.

5. REVENUE

	Group	
	2017 $'000	**2016 $'000**
Sale of LPG and LPG-related accessories	**23,341**	21,244
Sale of CNG	**5,751**	9,408
Sale of diesel	**10,094**	5,073
	39,186	35,725

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

6. OTHER GAINS/(LOSSES)

	Group	
	2017	**2016**
	$'000	**$'000**
Allowance for impairment of trade and other receivables	**(81)**	(13)
Bad debts written-off – trade receivables	**(3)**	(1)
Foreign exchange gains/(losses), net	**1**	(20)
Gain on disposal of plant and equipment	**60**	34
	(23)	–
Presented in profit or loss as:		
Other gains	**61**	34
Other losses	**(84)**	(34)
	(23)	–

7. OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Interest income	**21**	–
Rental income	**323**	268
Service fee for provision of IT infrastructure service	**184**	–
Others	**165**	53
	693	321

8. MARKETING AND DISTRIBUTION COSTS

Major components include the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Call centre charges	**688**	–
Commission expense	**378**	474
Depreciation of property, plant and equipment	**700**	142
Rental expense of motor vehicles	**53**	1,115
Service charges	**4,398**	4,191

Service charges relate to delivery expenses for the delivery of bottled LPG cylinders and LPG-related accessories to domestic households.

9. ADMINISTRATIVE EXPENSES

Major components include the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Depreciation of property, plant and equipment	**233**	55
Fees to directors	**145**	–
Employee benefit expenses	**716**	216
Legal and professional fee	**231**	15
Listing expenses	**1,191**	–

10. FINANCE COSTS

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense on bank loan and finance leases	**35**	42

11. EMPLOYEE BENEFITS EXPENSES

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries, bonuses and other employee benefits	**4,765**	192
Contributions to defined contribution plans	**121**	24
	4,886	216

Employee benefit expenses are charged as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Administrative expenses	**716**	216
Marketing and distributions costs	**3,551**	–
Cost of sales	**619**	–
	4,886	216

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

12. INCOME TAX EXPENSE

12A. Components of tax expense recognised in profit or loss

	Group	
	2017	**2016**
	$'000	**$'000**
Current tax		
Current tax expense	**651**	575
Adjustments in respect of prior years	**(136)**	(23)
	515	552
Deferred tax		
Deferred tax expense	**196**	236
Adjustments in respect of prior years	**36**	–
	232	236
	747	788

The income tax expense in profit or loss varied from the amount determined by applying the Singapore income tax rate of 17% (2016: 17%), to profit before income tax for the reporting years due to the following differences:

	Group	
	2017	**2016**
	$'000	**$'000**
Profit before income tax	**4,222**	4,748
Income tax expense at the above rate	**718**	807
Expenses not deductible for tax purposes	**271**	112
Stepped income exemption and rebates	**(77)**	(92)
Adjustments to current tax in respect of prior years	**(136)**	(23)
Adjustments to deferred tax in respect of prior years	**36**	–
Enhanced capital allowance	**(65)**	(16)
	747	788

There are no income tax consequences of dividends to owners of the Company.

12B. Deferred tax expense recognised in profit or loss

	Group	
	2017	**2016**
	$'000	**$'000**
Excess of net carrying value over tax value of property, plant and equipment	**232**	236

12. INCOME TAX EXPENSE (CONTINUED)

12C. Deferred tax balance in statements of financial position

	Group	
	2017	**2016**
	$'000	**$'000**
Excess of net carrying value over tax value of property, plant and equipment	**656**	424

It is impracticable to estimate the amount expected to be settled or used within one year.

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to the owners of the Company by the weighted average number of shares outstanding during the financial year.

The following illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	2017	**2016**
	$'000	**$'000**
Numerator		
Profit, net of tax	**3,475**	3,960
Denominator		
Weighted average number of equity shares	**183,397**	170,000

For the reporting year ended 31 December 2016, the Company's pre-invitation number of ordinary shares of 170,000,000 has been used in the calculation of basic and diluted earnings per share as it reflects the weighted average number of shares for the year after adjusting for changes in number of shares arising from the Reorganisation as described in note 1.2.

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective reporting years.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

14. DIVIDENDS

	Rate per share 2017 $	Rate per share 2016 $	2017 $'000	2016 $'000
UEPL				
1st Interim exempt (1-tier) dividend paid	–	1,150,000	–	2,300
UGPL				
1st Interim exempt (1-tier) dividend paid	–	0.22	–	1,965
			–	4,265

The above dividends have been declared by UEPL and UGPL to their then-existing shareholder prior to the Reorganisation. The dividend per share is calculated based on the number of ordinary shares of the respective subsidiaries in issue at the date of the dividend declaration.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Group				
Cost				
At 1 January 2016	8,080	3,699	–	11,779
Additions	982	103	4,734	5,819
Disposals	–	–	(12)	(12)
At 31 December 2016	9,062	3,802	4,722	17,586
Additions	103	459	2,027	2,589
Disposals	–	(238)	(286)	(524)
At 31 December 2017	9,165	4,023	6,463	19,651
Accumulated depreciation				
At 1 January 2016	5,162	2,206	–	7,368
Depreciation for the year	376	564	156	1,096
At 31 December 2016	5,538	2,770	156	8,464
Depreciation for the year	518	702	747	1,967
Disposals	–	(195)	(30)	(225)
At 31 December 2017	6,056	3,277	873	10,206
Carrying value				
At 1 January 2016	2,918	1,493	–	4,411
At 31 December 2016	3,524	1,032	4,566	9,122
At 31 December 2017	3,109	746	5,590	9,445

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense is charged as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Cost of sales	**1,034**	899
Marketing and distribution costs	**700**	142
Administrative expenses	**233**	55
	1,967	1,096

The leasehold land and buildings are mortgaged as securities for bank facilities (note 23).

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity shares, at cost	**10,800**	10,800

Details of the subsidiaries held by the Company are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest 2017**	**2016**
UEPL	Singapore	Retailers, distributors, general merchants, importers and exporters, wholesalers, dealers and suppliers of LPG and related products	**100**	100
UGPL	Singapore	Sale of CNG and diesel in retail and wholesale markets	**100**	100

The financial statements of the subsidiaries are audited by RSM Chio Lim LLP, a member firm of RSM International.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

17. INVENTORIES

	Group	
	2017	**2016**
	$'000	**$'000**
LPG-related accessories	**287**	231
Diesel	**32**	40
	319	271
Changes in inventories of finished goods – increase	**48**	60
Amount of inventories included in cost of goods sold	**8,745**	4,565

There are no inventories pledged as security for liabilities.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
Outside parties	**1,225**	991	**–**	–
Less: Allowance for impairment	**(95)**	(21)	**–**	–
	1,130	970	**–**	–
Related parties (note 3)	**248**	202	**285**	–
	1,378	1,172	**285**	–
Other receivables				
Outside parties	**32**	31	**–**	5
Less: Allowance for impairment	**(31)**	(31)	**–**	–
	1	–	**–**	5
Related parties (note 3)	**–**	7,926	**–**	–
Dividends receivable from subsidiaries	**–**	–	**3,800**	–
Refundable deposits	**68**	211	**18**	–
	69	8,137	**3,818**	5
	1,447	9,309	**4,103**	5

Movements in allowance for trade receivables from outside parties:

	Group	
	2017	**2016**
	$'000	**$'000**
At beginning of year	**21**	9
Charged to profit or loss included in other losses	**81**	13
Bad debts written-off	**(7)**	(1)
At end of year	**95**	21

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for other receivables from outside parties:

	Group	
	2017	2016
	$'000	$'000
At beginning and end of year	**31**	31

19. OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Prepayments	**122**	104	**22**	83
Deposits to secure services	**23**	153	**–**	–
Others	**–**	6	**–**	–
	145	263	**22**	83

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not restricted in use	**16,098**	1,149	**4,835**	39

The interest earning balances are not significant.

20A. Significant non-cash transactions

During the reporting years, there were the following significant non-cash transactions:

- Acquisitions of items of property, plant and equipment with a total cost of $592,000 (2016: nil) acquired by means of finance leases;
- Acquisitions of items of property, plant and equipment from a related party, amounting to nil (2016: $3,206,000), were off-set against amounts due to that related party; and
- Dividends declared by the subsidiaries to their then-existing shareholder, amounting to nil (2016: $4,265,000), were off-set against amounts due from the then-existing shareholder.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

20. CASH AND CASH EQUIVALENTS (CONTINUED)

20B. Reconciliation of liabilities arising from financing activities

	Group			
	2016	**Cash flows**	**Non-cash changes**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Bank loan	1,145	(617)	–	**528**
Finance lease liabilities	–	(111)	592	**481**
Total liabilities from financing activities	1,145	(728)	592	**1,009**

21. SHARE CAPITAL

	Company	
	No. of shares	**Amount**
	'000	**$'000**
Issued and paid-up share capital as at 3 October 2016 (date of incorporation)/1 January 2017	*	*
Issue of ordinary shares	10,000	10,000
Issued and fully paid shares before share split	10,000	10,000
Share split	170,000	10,000
Issue of new shares pursuant to IPO	30,000	7,500
Listing expenses	–	(431)
At 31 December 2017	200,000	17,069

* Denotes less than $1,000.

As disclosed in note 1.2, the Company was incorporated on 3 October 2016 with an initial share capital of $2 comprising two shares held by the Controlling Shareholder.

On 17 April 2017, the Company issued 9,999,998 shares to the Controlling Shareholder for a consideration of $9,999,998 pursuant to the Reorganisation as described in note 1.2.

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

On 22 June 2017, pursuant to the Sub-Division, 10,000,000 shares in the capital of the Company were sub-divided into 170,000,000 shares.

Pursuant to the IPO on 21 July 2017, the Company issued and allotted 30,000,000 ordinary shares for a consideration of $7,500,000. Listing expenses incurred pursuant to the IPO amounted to $1,633,000, of which $431,000 has been capitalised against share capital while the remaining amount of $1,202,000 has been included in administrative expenses and marketing and distribution costs in the consolidated statement of comprehensive income.

21. SHARE CAPITAL (CONTINUED)

Capital management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2017	**2016**
	$'000	**$'000**
Net debt		
All current and non-current borrowings	**1,009**	1,145
Less: Cash and cash equivalents	**(16,098)**	(1,149)
Net debt	**(15,089)**	(4)
Adjusted capital		
Total equity	**19,829**	9,285
Debt-to-adjusted capital ratio	**N.M.**	N.M.

The debt-to-equity ratio is not meaningful as the Group has net surplus cash over debt.

22. MERGER RESERVE

This represents the difference between the consideration paid and the share capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method, as described in note 1.2 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23. OTHER FINANCIAL LIABILITIES

	Group	
	2017	2016
	$'000	$'000
Non-current		
Bank loan (secured) (note 23A)	–	525
Finance lease liabilities (note 23B)	287	–
	287	525
Current		
Bank loan (secured) (note 23A)	528	620
Finance lease liabilities (note 23B)	194	–
	722	620
	1,009	1,145
Non-current portion is repayable as follows:		
Due within 2 to 5 years	287	525

23A. Bank loan (secured)

The loan is repayable by equal monthly instalments over 5 years from November 2013. The floating interest rates range from 2.73% to 2.90% (2016: 2.64% to 3.21%) per annum.

The agreement for the bank loan provides for, among other matters, the following:

(i) First legal mortgage over the leasehold property of the Group (note 15);

(ii) Joint and several guarantees from the Controlling Shareholder and a director of the Company; and

(iii) Corporate guarantee from the Company.

23B. Finance lease liabilities

	Minimum payments $'000	Finance charges $'000	Present value $'000
2017			
Minimum lease payments payable:			
Due within one year	209	(15)	194
Due within 2 to 5 years	295	(8)	287
	504	(23)	481
Net carrying value of plant and equipment under finance leases			1,056

There were no finance lease liabilities as at the end of previous reporting year.

24. PROVISIONS

	Group 2017 $'000	Group 2016 $'000
Provision for dismantling and removal costs	**300**	247
Movements in the above provision are as follows:		
At beginning of year	**247**	247
Additions	**53**	–
At end of year	**300**	247

The provision is recognised for expected dismantling and removal costs upon expiry of the land lease where the Group's CNG and diesel refilling station is located. The estimate is based on quotation from an external contractor.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables				
Outside parties and accrued liabilities	**1,531**	2,304	**–**	–
Related parties (note 3)	**928**	–	**–**	–
	2,459	2,304	**–**	–
Other payables				
Outside parties	**540**	323	**103**	9
Related parties (note 3)	**5**	3,792	**–**	800
Directors (note 3)	**145**	130	**145**	130
Deposits for LPG cylinders	**1,846**	1,875	**–**	–
Other deposits from customers	**10**	12	**–**	–
	2,546	6,132	**248**	939
	5,005	8,436	**248**	939

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2017

26. OPERATING LEASE PAYMENT COMMITMENTS

At the end of the reporting year, total of future minimum lease payment committed under non-cancellable operating leases are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**137**	47
Later than one year but not later than five years	**94**	–
	231	47
Rental expense for the year	**82**	4

Operating lease payments are for rental payable for office, call centre and housing for certain employees. The lease rental terms range between four months to two years.

27. OPERATING LEASE INCOME COMMITMENTS

At the end of the reporting year, total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**270**	111
Later than one year but not later than five years	**194**	–
	464	111
Rental income for the year	**265**	251

The lease rental income terms are negotiated for terms ranging from one to two years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

28A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities at the reporting date:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents	**16,098**	1,149	**4,835**	39
Loans and receivables	**1,447**	9,309	**4,103**	5
	17,545	10,458	**8,938**	44
Financial liabilities				
Trade and other payables measured at amortised cost	**5,005**	8,436	**248**	939
Other financial liabilities measured at amortised cost	**1,009**	1,145	**–**	–
	6,014	9,581	**248**	939

Further quantitative disclosures are included throughout these financial statements.

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the Group's operating, investing and financing activities. There is exposure to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However, these are not documented in formal written documents. The following guidelines are followed:

- All financial risk management activities are carried out and monitored by senior management staff; and

- All financial risk management activities are carried out following market practices.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

28C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount the Group could have to pay if the guarantee is called on; and the full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counterparties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers.

Note 20 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is approximately 30 days. However, certain customers may take a longer period to settle the amounts.

Ageing analysis of trade receivables that are past due but not impaired as at the end of the reporting year is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
31 – 60 days	**381**	156	**–**	–
61 – 90 days	**148**	41	**–**	–
Over 90 days	**–**	132	**–**	–
	529	329	**–**	–

Ageing analysis of trade receivables that are impaired as at the end of the reporting year is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Over 90 days	**95**	21	**–**	–

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28D. Credit risk on financial assets (Continued)

Ageing analysis of other receivables that are impaired as at the end of the reporting year is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Over 90 days	**31**	31	**–**	–

There is no concentration of credit risk with respect to trade receivables as there is a large number of customers.

28E. Liquidity risk – financial liabilities maturity analysis

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) at end of reporting year:

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Group			
2017			
Trade and other payables	**5,005**	**–**	**5,005**
Other financial liabilities	**743**	**295**	**1,038**
	5,748	**295**	**6,043**
2016			
Trade and other payables	8,436	–	8,436
Other financial liabilities	643	531	1,174
	9,079	531	9,610

The above amounts disclosed in the maturity analysis are the contractual and undiscounted cash flows and such undiscounted cash flows differ from the amounts included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is approximately between 30 to 120 days. The other payables are with short-term durations. In order to meet such cash commitments, the operating activities are expected to generate sufficient cash inflows.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28E. Liquidity risk – financial liabilities maturity analysis (Continued)

Bank facilities

	Group	
	2017	**2016**
	$'000	**$'000**
Undrawn borrowing facilities	**7,453**	6,298

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

28F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group	
	2017	**2016**
	$'000	**$'000**
Financial liabilities		
Fixed rate	**481**	–
Floating rate	**528**	1,145
	1,009	1,145

The floating rate debt instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in note 23.

Sensitivity analysis: The impact on profit before tax is not significant.

28G. Foreign currency risk

Analysis of amounts denominated in non-functional currency at end of reporting year:

	Group USD	
	2017	**2016**
	$'000	**$'000**
Trade and other payables	**174**	790

There is exposure to foreign currency risk as part of the Group's normal business. The Group has a foreign currency exposure to USD as it purchases natural gas in this currency and sells them in SGD.

Sensitivity analysis: The impact on profit before tax is not significant.

29. ITEMS IN PROFIT OR LOSS

In addition to profit or loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2017	2016
	$'000	$'000
Audit fees to independent auditor of the Company [1]	**64**	36
Non-audit fees to independent auditor of the Company	**7**	6

(1) In addition to the fee disclosed, the Group also paid $270,000 to the independent auditor of the Company relating to the IPO of the Company during the reporting year ended 31 December 2017.

30. SUBSEQUENT EVENT

On 27 February 2018, the directors proposed that a first and final dividend of $0.01 per share, amounting to $2,000,000 in total. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to the shareholders.

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Financial Reporting Standards in Singapore and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition Of Deferred Tax Assets For Unrealised Losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

32. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Convergence with International Financial Reporting Standards ("IFRS")

Singapore-incorporated companies listed on SGX-ST will be required to apply new Singapore financial reporting framework that is identical to IFRS for annual reporting periods beginning on or after 1 January 2018. The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

For the future reporting years new or revised SFRS(I) and SFRS(I) INT were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers.	
	Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples and Amendments to Guidance on Other Standards	1 Jan 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2018

Issued and Fully Paid Capital	:	**S$17,069,477**
Class of shares	:	**Ordinary Shares**
Voting rights	:	**1 vote per share**
Total no. of issued Ordinary Shares	:	**200,000,000**
Total no. of Treasury Shares	:	**Nil**
Total no. of Subsidiary Holdings	:	**Nil**

SIZE OF SHAREHOLDINGS	**NO. OF SHAREHOLDERS**	**%**	**NO. OF SHARES**	**%**
1 – 99	0	0.00	0	0.00
100 – 1,000	23	3.17	18,800	0.01
1,001 – 10,000	324	44.63	1,714,800	0.86
10,001 – 1,000,000	368	50.69	39,497,600	19.75
1,000,001 AND ABOVE	11	1.51	158,768,800	79.38
TOTAL	**726**	**100.00**	**200,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	**NAME**	**NO. OF SHARES**	**%**
1	TEO KIANG ANG	140,963,500	70.48
2	TAN LEE TIANG	3,466,300	1.73
3	TAN AI BIN VINCENT DE PAUL	2,299,500	1.15
4	UOB KAY HIAN PRIVATE LIMITED	2,100,200	1.05
5	CITIBANK NOMINEES SINGAPORE PTE LTD	2,000,000	1.00
6	GOH SIOW KHIM @ GOH SEOW KIN	2,000,000	1.00
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,534,000	0.77
8	LAU KIAN ANN	1,316,600	0.66
9	ANG HON NAM @ NG NAM TECK	1,050,000	0.53
10	SIM CHWEE ING	1,028,000	0.51
11	YEOH POH CHONG	1,010,700	0.51
12	GOH YONG HOCK	1,000,000	0.50
13	YEO SENG BUCK	1,000,000	0.50
14	KOH KA SENG	951,800	0.48
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	946,000	0.47
16	CHAN I-YANN, AUGUSTIN (CHEN YIYAN, AUGUSTIN)	930,000	0.47
17	DBS NOMINEES (PRIVATE) LIMITED	852,100	0.43
18	OCBC SECURITIES PRIVATE LIMITED	799,200	0.40
19	TAN KOK TENG	787,000	0.39
20	NG AH CHONG	752,900	0.38
	TOTAL	**166,787,800**	**83.41**

STATISTICS OF **SHAREHOLDINGS**

As at 16 March 2018

RULE 723 OF THE SGX LISTING MANUAL – FREE FLOAT

As at 16 March 2018, approximately 29.32% of the total number of issued shares, excluding treasury shares and subsidiary holdings, of the Company was held in the hands of the public.

Accordingly, the Company has complied with Rule 723 of the Singapore Exchange Securities Trading Limited's Listing Manual Section B: Rules of Catalist.

The Company did not hold any treasury shares and subsidiary holdings as at 16 March 2018.

Substantial Shareholders

As shown in the Register of Substantial Shareholders

		Direct Interest		Deemed Interest	
No.	**Name**	**No. of Shares**	**%**	**No. of Shares**	**%**
1	Teo Kiang Ang(1)	140,963,500	70.48%	–	–

(1) Mr. Teo Kiang Ang is the Non-executive Chairman and a controlling shareholder of the Company.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNION GAS HOLDINGS LIMITED** will be held at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409 on Monday, 23 April 2018 at 9.00 a.m., to transact the following businesses:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon.
(Resolution 1)

2. To declare a first and final tax exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 31 December 2017.
(Resolution 2)

3. To re-elect Mr Teo Kiang Ang retiring pursuant to Article 117 of the Constitution of the Company, and who, being eligible, offered himself for re-election as Director of the Company.
[See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 122 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors of the Company:

   Mr. Loo Hock Leong **(Resolution 4)**
   Mr. Lim Chwee Kim **(Resolution 5)**
   Mr. Heng Chye Kiou **(Resolution 6)**

   [See Explanatory Note (ii)]

   The detailed information of the above mentioned directors as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 can be found under the sections entitled 'Board of Directors' and the "Corporate Governance Report" in the Annual Report.

5. To approve the payment of Directors' fees of S$145,000 for the financial year ended 31 December 2017.
[See Explanatory Note (iii)] **(Resolution 7)**

6. To approve the Directors' fees of S$145,000 for the financial year ending 31 December 2018, payable half yearly in arrears.
[See Explanatory Note (iii)] **(Resolution 8)**

7. To re-appoint RSM Chio Lim LLP as the Auditor of the Company and to authorise the Directors to fix their remuneration.
(Resolution 9)

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. Authority to allot and issue shares

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

a. (i) allot and issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of this Resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 10)**

10. Authority to allot and issue shares under the Union Gas Employee Share Option Scheme (the "Share Option Scheme")

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Scheme provided always that the aggregate number of new shares to be allotted and issued pursuant to the Share Option Scheme, Union Gas Performance Share Plan, and all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company shall not exceed fifteen per centum (15%) of the total number of issued share (excluding treasury shares and subsidiary holdings) in the capital of the Company on the day immediately preceding the date of offer of the employee share options.

[See Explanatory Note (v)] **(Resolution 11)**

11. Authority to allot and issue shares under the Union Gas Performance Share Plan

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Union Gas Performance Share Plan and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Union Gas Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the Union Gas Performance Share Plan, when added to (i) the number of shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under the Share Option Scheme, all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company on the day preceding the relevant date of the award.

[See Explanatory Note (vi)] **(Resolution 12)**

NOTICE OF **ANNUAL GENERAL MEETING**

12. Proposed Renewal of the existing Shareholders' Mandate for Interested Person Transactions

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules ("Chapter 9"), for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Mandated Transactions described in the Appendix accompanying the Annual Report (the "Appendix") with any party who is of the class of Mandated Interested Persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such Mandated Transactions;

(b) the approval given in sub-paragraph (a) above (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendments to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

[See Explanatory Note (vii)] **(Resolution 13)**

By Order of the Board

Kenneth Leong
Company Secretary

Singapore
6 April 2018

EXPLANATORY NOTES:

(i) Mr. Teo Kiang Ang, upon re-election as a Director of the Company, will remain as Non-Executive Chairman.

(ii) Mr. Loo Hock Leong, upon re-election as a Director of the Company, will remain as Lead Independent Director, the Chairman of the Audit Committee, and a member of the Nominating and Remuneration Committees, and the Board of Directors (save for Mr. Loo Hock Leong) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr. Lim Chwee Kim, upon re-election as a Director of the Company, will remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees, and the Board of Directors (save for Mr. Lim Chwee Kim) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr. Heng Chye Kiou, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees, and the Board of Directors (save for Mr. Heng Chye Kiou) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

(iii) Ordinary Resolution 7, if passed, is to approve the payment of Directors' fees for the financial year ended 31 December 2017.

Ordinary Resolution 8, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2018 in which the fees are incurred, which is payable half yearly in arrears.

(iv) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(v) The Ordinary Resolution 11 in item 10 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company pursuant to the Share Option Scheme which was approved by shareholders on 19 June 2017. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 10.

(vi) The Ordinary Resolution 12 in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Union Gas Performance Share Plan in accordance with the provisions of the Union Gas Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Union Gas Performance Share Plan which was approved by shareholders on 19 June 2017, subject to the maximum number of shares prescribed under the terms and conditions of the Union Gas Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the Union Gas Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the relevant date of the award. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 10.

(vii) The Ordinary Resolution 13 in item 12 above, if passed, will allow the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Mandated Transactions described in the Appendix. Please refer to the Appendix for more details.

NOTICE OF **ANNUAL GENERAL MEETING**

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend and vote at the annual general meeting ("Meeting") of the Company.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.

4. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for holding the Meeting of the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

UNION GAS HOLDINGS LIMITED

(Company Registration No: 201626970Z)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").

This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We ______________________________ (Name)

______________________________ (NRIC/Passport No./Company Registration No.)

of ______________________________ (Address)

being *a Member/Members of Union Gas Holdings Limited (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of shareholdings	
			No. of Shares	%

* and/or (delete as appropriate)

or failing *him/her, the Chairman of the Annual General Meeting (the "Meeting") of the Company as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Meeting of the Company, to be held at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409 on Monday, 23 April 2018 at 9.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
ORDINARY BUSINESS			
1	To adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon.		
2	To approve a first and final tax exempt (one-tier) dividend of S$0.01 per ordinary share for the financial year ended 31 December 2017.		
3	To re-elect Mr. Teo Kiang Ang as a Director.		
4	To re-elect Mr. Loo Hock Leong as a Director.		
5	To re-elect Mr. Lim Chwee Kim as a Director.		
6	To re-elect Mr. Heng Chye Kiou as a Director.		
7	To approve payment of Directors' fees of S$145,000 for the financial year ended 31 December 2017.		
8	To approve the Directors' fees of S$145,000 for the financial year ending 31 December 2018, payable half yearly in arrears		
9	To re-appoint RSM Chio Lim LLP as the Auditor of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
10	To authorise Directors to allot and issue new shares.		
11	To authorise Directors to allot and issue shares pursuant to the Union Gas Employee Share Option Scheme.		
12	To authorise Directors to allot and issue shares pursuant to the Union Gas Performance Share Plan.		
13	Renewal of the existing Shareholders' Mandate for Interested Person Transactions		

Dated this ________ day of ______________________ 2018

Total number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/Common Seal

* *Delete accordingly*

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Such proxy need not be a member of the Company.

3. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Cap. 50.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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UNION GAS HOLDINGS

3 Lorong Bakar Batu
#07-04 Union Industrial Center
Singapore 348741