ENERGISING A SUSTAINABLE FUTURE

Annual Report 2015

CEFC International Limited


CEFC INTERNATIONAL LIMITED
CEFC

CONTENTS

2015 – SOLID FOUNDATION FOR FUTURE DEVELOPMENT

2015 has been a year of excellence and milestones for the Group. We established long-term strategic partnerships, expanded our global footprint, enhanced trading capabilities, furthered vertical expansion along the industry chain, and developed financing resources. We are pleased to report a strong set of operational and financial results in 2015.

WORDS FROM THE CHAIRMAN

Dear Valued Shareholders,

Review

CEFC International Limited ("CEFCI" or the "Company") aspires to become a leading international independent energy trading company and emerge as a platform in the energy industry that consolidates various resources and business interests across the value chain, making its best efforts in returning to shareholders and contributing to the Singapore economy. Upholding this objective, CEFCI achieved excellent performance in 2015 that marked a milestone in development. We established long-term strategic partners, extended our global reach, expanded our business network, strengthened business structure, and delivered encouraging improvement in financial performance and market capitalization. More importantly, we made progress in strengthening fundamentals and corporate governance, laying a solid foundation for the Company's growth in future.

Outlook

In 2016, we expect our globalization business strategy to unleash substantial potential for the Company's development. Europe is a huge energy market with tremendous consumption demand for petroleum products, it also has established financial markets, developed legal framework and an attractive financing environment. Tapping the opportunities in the favourable environment, the Company will take Europe as a strategic focus in its global business allocation. The signing of the diesel supply agreement with Dyneff will provide us with further advantage to emerge as a platform of the energy industry that consolidates various resources and business interests. The Company will explore investment opportunities in the wealth of mid- and downstream assets available in Europe, and enhance its foothold in retail outlets, distribution network, logistics and storage assets to stimulate the organic trading business and create synergistic growth. Through these strategic moves, CEFCI targets to become an industry platform that consolidates profits from both operation and investment to enhance our market value and influence.

Appreciation

Our achievements in 2015 only became possible because of the trust from our business partners, the support from all our shareholders and the persistent hard work of all our employees. On behalf of the Board of Directors, I would like to extend my sincere appreciation to all of you. I would also like to welcome the new members of the Board, international talents that joined our management team this year, and our newly engaged auditor and legal advisor. With the support and concerted efforts from all parties, CEFCI is well equipped to unfold a new era of development.

Zang Jian Jun
Executive Chairman

Dear Valued Shareholders,

A Year of Strong Performance

The Company delivered a strong set of operational and financial results in 2015. Backed by a long-term procurement and supply agreement and enhanced trading capabilities, a total of 8.45 million barrels of physical oil products were traded in FY2015. In addition to physical trading, the Company also started derivatives trading during the year. The higher trading volume and active exploitation of physical and derivatives trading opportunities contributed to 45% growth in the Company's revenue, from US$327.3 million in FY2014 to US$474.5 million in FY2015. Gross profit increased by six times from US$4.5 million in FY2014 to US$27.4 million in FY2015, and the composite gross profit margin rose significantly from 1.4% in FY2014 to 5.8% in FY2015. The Company achieved net profit of US$17.95 million in FY2015, 25 times of the US$0.72 million net profit in FY2014.

Solid Foundation for Trading Development

In 2015, we put significant efforts in laying the foundation for the Company to prepare for the next level of development. We enhanced trading capabilities by expanding the team with international trading veterans and extending our product and geographical coverage, which led to substantial increase in our trading business. We forged long-term trading partnerships, including the framework cooperation agreement with a subsidiary of China CEFC Energy Company Limited ("CEFC China"), a Fortune Global 500 company, to serve as its exclusive overseas trading platform, and the Diesel Supply Agreement with Dyneff SAS ("Dyneff") entered in early 2016 that marked the debut of our trading business in Europe and the expansion beyond the Asia Pacific market. These long-term partnerships played a strategic role in providing reliable volume flow, extending our geographical reach and broadening our platform for further development.

Making Progress in Investment and Financing

Apart from scaling up our trading capabilities, we also explored the opportunities for vertical expansion along the industry value chain. We put a special focus on mid- and downstream assets that comprise retail outlets, distribution network, logistical infrastructure and storage facilities. In 2015, we studied various investment projects, including floating storage, jetty, and petrol stations in the global market. Meanwhile, we have completed the capital injection for the incorporation of Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited, the joint venture with Rizhao Port Oil Terminal Co., Ltd. announced in 2014 to build and operate oil storage facilities in Rizhao port, Shandong Province, PRC. We will make increased efforts in investments in 2016.

To lower the overall cost of capital and create financial flexibility to meet our business needs, we also actively explored diverse sources of funding and financing channels, which led to the successful share placement exercise that raised approximately S$247 million in September 2015, and the US$120 million uncommitted trade facilities from a leading regional bank in early 2016.

Looking Ahead

Building on the foundation we laid in 2015, we will continue to make dedicated efforts to develop the Company into a leading international independent energy trading company and an industry platform that consolidates various resources and business interests across the value chain, in order to deliver returns to our shareholders.

Lu Da Chuan
Chief Executive Officer

CEFC INTERNATIONAL AIMS TO BE A LEADING INTERNATIONAL INDEPENDENT ENERGY TRADING COMPANY, WITH A VISION TO EMERGE AS A PLATFORM IN THE ENERGY INDUSTRY THAT CONSOLIDATES VARIOUS RESOURCES AND BUSINESS INTERESTS ACROSS THE VALUE CHAIN OF THE INDUSTRY.

We put a special focus on investment opportunities in mid- and downstream assets that comprise retail outlets, distribution network, logistical infrastructure and storage facilities. CEFCI targets to become an industry platform that integrates profits from both operation and investment to enhance our market value and influence.

Mr. Zang Jian Jun

Mr. Zang Jian Jun was appointed to the Board as Executive Director on 4 January 2012. Mr. Zang was further appointed as Chief Executive Officer on 3 December 2012 (he stepped down as Chief Executive Officer on 17 February 2015) and to the Board as Executive Chairman on 2 December 2013. Mr. Zang has over fifteen years of experience in the petrochemical industry and has a very extensive network. From August 2006 to March 2011, Mr. Zang was the General Manager of Hua Xin Energy Holdings Ltd, in charge of establishing corporate strategy and general operating strategy. From October 2003 to July 2006, Mr. Zang was the Deputy General Manager in DaGang Petro Chemical Co. Ltd. From June 1999 to September 2003, Mr. Zang was the Chemical Business Unit General Manager in DaGang Petro Chemical Co. Ltd. At the same time, he was also the International Trading Manager responsible for the company's importing projects which involved both the upstream and downstream sectors. From October 1996 to May 1999, he was the International Trading Manager in Hebei Lixiang Corporation. From June 1995 to September 1996, Mr. Zang was the Business Manager in Hebei Baoding International Trading Company. He is currently serving as a director in China CEFC Energy Company Limited.

Mr. Lu Da Chuan

Mr. Lu Da Chuan was appointed to the Board as Executive Director and Chief Executive Officer of the Company on 17 February 2015. Mr. Lu is responsible for carrying out the strategic plan agreed by the Board and the day-to-day running of the Group's business. Mr. Lu has over ten years of experience in corporate finance in the petroleum industry. From September 2008 to January 2015, Mr. Lu was the Manager of the Budget Analysis Department and the Treasury Department of PetroChina International Co., Ltd and was responsible for the company's finance functions, including investment assessment, capital restructuring and corporate finance. From April 2006 to September 2008, Mr. Lu was the Finance Manager of Chinaoil (Hong Kong) Corporation Limited and was responsible for overseeing the finance functions and led a team which completed the acquisition of a Hong Kong company. From December 2004 to March 2006, Mr. Lu was Deputy Manager of the Treasury Department of PetroChina International Co., Ltd. Mr. Lu obtained a MBA from Tsinghua University in 2010. He is currently serving as a director in China CEFC Energy Company Limited.

Mr. Liu Zhong Qiu

Mr. Liu Zhong Qiu was appointed as Chief Operating Officer on 19 November 2013 and to the Board as Executive Director on 2 December 2013. Mr. Liu's main responsibilities include overseeing the business operations of the Group. Mr. Liu has over 43 years of experience in the petroleum industry. Right after his graduation, he spent 14 years working in China National Petroleum Corporation ("CNPC")'s oil and gas geophysical exploration company and left as Director General. In 1993, Mr. Liu started to work in South America, in Peru Talara Oil Fields as the General Manager, and in Venezuela Calecoles and Inercomper North Oil Fields as the Vice President. In 1999, Mr. Liu joined China National United Oil Corp. as Vice President in charge of crude oil and natural gas international trading, during which he headed a team that completed the crude oil supply for the Sino-Russian long distance pipeline, Sino-Kazakhstan long distance crude oil pipeline, as well as the oil and gas pipelines from Myanmar to Kunming City, Southeast China. In 2009, he led his team to the successful procurement of the signing of the long term natural gas supply contract with the Turkmenistan Government for Turkmenistan – China natural gas pipelines which lead all the way to Hong Kong. In July 2009, Mr. Liu was appointed by the CNPC Board of Directors as the Chairman of China Petroleum Engineering and Construction Corp. During his chairmanship, he led his team to the successful completion of the Engineering, Procurement and Construction of the Niningxia Refinery, CPF1 project in Iraq Al Waha Oil Fields, the Jingtel Refinery in Nigeria and the Ndjamena Refinery in Chad. By the end of 2011, he started to work as the senior consultant at CNPC's Consulting Center until his appointments in CEFC International Limited. He is currently serving as a director in China CEFC Energy Company Limited.

Mr. Wen Jie

Mr. Wen Jie joined the Company in September 2014 as the Deputy General Manager and was appointed to the Board as Executive Director on 3 December 2014. Mr. Wen's main responsibilities include investment and project development. From March 2013 to August 2014, Mr. Wen was partner of Prosperous Alliance Investments Limited (Hong Kong). From July 2010 to March 2013, Mr. Wen was the Deputy General Manager of China National United Oil Corp and was in charge of the Risk Management Department.

From June 2009 to July 2010, Mr. Wen was Deputy General Manager of PetroChina International (Hong Kong) Corporation Limited. From August 1999 to June 2009, Mr. Wen was General Manager of China National United Oil Corp and was in charge of the Project Department and Internal Control Department. Mr. Wen obtained an EMBA from the National University of Singapore in 2008.

Mr. Liu Lei

Mr. Liu Lei joined the Company in April 2015 as the Vice President in charge of the trading business of the Company, and was appointed to the Board as Executive Director on 17 August 2015. He has been in the oil trading business for over 16 years which gained him comprehensive trading and management experiences. From February 2014 to January 2015, Mr. Liu was the Deputy General Manager of the Refined Products Department of PetroChina International Co., Ltd. From July 2009 to January 2014, Mr. Liu was the Vice President of PetroChina International (London) Co., Ltd. and its joint ventures. From August 1999 to July 2009, Mr Liu worked in the Refined Products Department of PetroChina International Co., Ltd. as cargo operator, trader and Global Team Leader of Middle Distillates etc.

Mr. Ooi Hoe Seong

Mr. Ooi Hoe Seong was appointed to the Board as Lead Independent Director on 30 December 2011 and serves as Chairman of Audit Committee, Chairman of Risk Management Committee and a member of Nominating Committee and Remuneration Committee. He has over 25 years of management, corporate finance and wealth management experience with many multi-national companies. Since 2006, he has been the Director of Mega Honour Ltd and is in charge of financing projects. From 2004 to 2006, he was the Regional CEO of Boutique Regional Financial Institution. From 1992 to 2001, he was the Managing Director of British American Tobacco China Limited. From 1990 to 1992, he was with Pepsi-Cola International Asia Pacific Region. He was based in the U.S. Southwest region initially as part of the international management exchange program but subsequently moved on to be the Managing Director of the region.

Mr. Toh Hock Ghim

Mr. Toh Hock Ghim was appointed to the Board as an Independent Director on 30 December 2011 and serves as Chairman of Nominating Committee and a member of Remuneration Committee, Audit Committee and Risk Management Committee. He joined the Singapore Ministry of Foreign Affairs in 1966. He has served in the embassies of Singapore in many countries including the Philippines, Thailand, Malaysia and Vietnam. In 1989, he served as Deputy Director and later as Director in the ASEAN Directorate in the Singapore Foreign Ministry. In addition, he was Consul-General in Hong Kong and Macao from February 2002 to December 2007. Upon his return from Hong Kong and Macao, he was appointed Senior Adviser to the Singapore Foreign Ministry. Beyond these public appointments, he also holds appointments in the corporate sector. He is Chairman of Singapore-listed Equation Summit Limited and a Director of The Fullerton Hotel Singapore. He is also Director of FDG Kinetic Ltd (formerly known as CIAM Group Ltd), a Hong Kong-listed company. Mr. Toh Hock Ghim obtained his Bachelor of Arts (Political Science) Degree from the University of Singapore in 1966.

Ms. Ling Chi

Ms. Ling Chi was appointed to the Board as Independent Director on 7 February 2013. She serves as Chairman of Remuneration Committee and a member of Nominating Committee, Audit Committee and Risk Management Committee. Ms. Ling Chi is a member of the National Committee of the Chinese People's Political Consultative Conference since 2008. Since 1987, Ms. Ling Chi has been engaged in the promotion and development of traditional Chinese culture and is the Film Director of China News Services and Beijing Film Studio, Deputy Director of International Confucian Association, Deputy Director of Chinese Confucian Academy, Executive Director of State Ethnic Progress Committee of the People's Republic of China and Research Fellow of Education Theory Department, National Institute of Education Sciences. Ms. Ling Chi graduated from the Beijing Film Academy and The Central Academy of Drama and obtained her doctorate from Peking University Health Science Centre.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Zang Jian Jun
(Executive Director / Executive Chairman)
(appointed on 4 January 2012)

Mr. Lu Da Chuan
(Executive Director / Chief Executive Officer)
(appointed on 17 February 2015)

Mr. Liu Zhong Qiu
(Executive Director / Chief Operating Officer)
(appointed on 2 December 2013)

Mr. Wen Jie
(Executive Director)
(appointed on 3 December 2014)

Mr. Liu Lei
(Executive Director)
(appointed on 17 August 2015)

Mr. Ooi Hoe Seong
(Independent Director)
(appointed on 30 December 2011)

Mr. Toh Hock Ghim
(Independent Director)
(appointed on 30 December 2011)

Ms. Ling Chi
(Independent Director)
(appointed on 7 February 2013)

AUDIT COMMITTEE

Mr. Ooi Hoe Seong (Chairman)
Mr. Toh Hock Ghim
Ms. Ling Chi

REMUNERATION COMMITTEE

Ms. Ling Chi (Chairman)
Mr. Ooi Hoe Seong
Mr. Toh Hock Ghim

NOMINATING COMMITTEE

Mr. Toh Hock Ghim (Chairman)
Mr. Ooi Hoe Seong
Ms. Ling Chi

RISK MANAGEMENT COMMITTEE

Mr. Ooi Hoe Seong (Chairman)
Mr. Toh Hock Ghim
Ms. Ling Chi

COMPANY SECRETARY

Ms. Ong Beng Hong, LLB (Hons)

BERMUDA RESIDENT REPRESENTATIVE AND SHARE REGISTER

Codan Services Limited
Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1 Raffles Place,
#11-61 One Raffles Place, Tower 2, Singapore 048616
Tel: (65) 6222 2298
Fax: (65) 6222 2021

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01, Singapore Land Tower
Singapore 048623
Tel: (65) 6230 9532
Fax: (65) 6536 1360

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Mr. Wilson Woo
(appointed with effect from 9 December 2015)

The Board of Directors (the "**Board**") and the Management (the "**Management**") of CEFC International Limited (the "**Company**") are committed to maintaining a high standard of corporate governance and endeavour to comply with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") which supersedes the Code of Corporate Governance issued in July 2005, issued by the Corporate Governance Committee.

The Board and the Management believe that corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders' interest.

This report outlines the main corporate governance practices and processes with specific reference to the guidelines of the Code that were in place during the financial year commencing 1 January 2015 to 31 December 2015 ("**FY2015**"). The Board notes that the Company has generally complied with the spirit and intent of the Code but in areas where the Company deviates from the Code, the rationale is provided.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

As at the date of the report, the members of the Board are set out below:

Name of Director	Position	Date of Initial Appointment
Zang Jian Jun	Executive Director/Executive Chairman	4 January 2012
Lu Da Chuan	Executive Director/Chief Executive Officer	17 February 2015
Liu Zhong Qiu	Executive Director/Chief Operating Officer	2 December 2013
Wen Jie	Executive Director	3 December 2014
Liu Lei	Executive Director	17 August 2015
Ooi Hoe Seong	Independent Director	30 December 2011
Toh Hock Ghim	Independent Director	30 December 2011
Ling Chi	Independent Director	7 February 2013

The Directors all have the right core competencies and diversity of experience which enable them to effectively contribute to the Company and its subsidiaries (collectively referred herein as the "**Group**"). The experience and competence of each Director contributes to the overall effective management of the Group.

During FY2015, Ms. Chen Xiao Yin stepped down as an Executive Director with effect from 17 February 2015 and Mr. Lu Da Chuan joined the Board as an Executive Director and the Chief Executive Officer with effect from 17 February 2015. Further, Mr. Liu Lei joined the Board as an Executive Director with effect from 17 August 2015.

The Board's primary roles include but are not limited to the following:

(a) providing entrepreneurial leadership;

(b) setting and approving policies and strategies of the Group;

(c) establishing goals for the Management, monitoring the achievement of these goals and reviewing the Management's performance;

(d) reviewing the remuneration packages of the Directors and key executives;

(e) reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;

(f) reviewing the adequacy of the Company's internal control and the financial information reporting system;

(g) approving the nomination of Directors and appointments to the Board and/or the Board Committees (i.e. the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee);

(h) authorising major transactions such as fund raising exercises and material acquisitions;

(i) setting the Company's values and standards, and ensuring that obligations to shareholders and others are understood and met;

(j) assuming responsibility for corporate governance of the Group; and

(k) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets.

The Executive Directors supervise the management of the business and affairs of the Company. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including, but are not limited to the following:

(i) review of the annual budget and the performance of the Group;

(ii) review of the key activities and business strategies;

(iii) approval of the corporate strategy and direction of the Group;

(iv) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;

(v) material acquisitions and disposals;

(vi) corporate or financial restructuring and share issuances;

(vii) declaration of dividends and other returns to Shareholders; and

(viii) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved by the Board.

All the Directors bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resource and standards of conduct.

Board Processes

To assist in the execution of its responsibilities and to facilitate effective management, the Board has established a number of Board Committees including an Audit Committee, a Nominating Committee, a Remuneration Committee and a Risk Management Committee. The effectiveness of each committee is constantly monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lie with the entire Board. The Board has also established a framework for the management of the Group including a system of internal control. The members of the Board Committees as at the date of this Report are as set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee[1]
Ooi Hoe Seong	Chairman	Member	Member	Chairman
Toh Hock Ghim	Member	Chairman	Member	Member
Ling Chi	Member	Member	Chairman	Member

Note:

[1] The Risk Management Committee was constituted on 30 November 2015. For further details on the establishment of the Risk Management Committee during FY2015, please refer to the announcement dated 30 November 2015.

The Board is committed to holding regular meetings to review the Company's operations and as and when required, it will not hesitate to hold additional meetings to address any specific significant matters that may arise. Details of the number of meetings held during the FY2015 are also set out below for your reference.

The agenda for all meetings of the Board and Board Committees were prepared in consultation with the Group's Board.

Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives were from time to time invited to attend the Board meeting to provide updates on operational matters. Further to the above, the Board also discussed matters relating to the Company in informal settings and written resolutions were also circulated amongst the Board members to decide appropriate actions to be taken in relation to the Company's operations.

The Bye-Laws of the Company allows the Directors to participate in meetings of the Board and/or Board Committees by telephone conference or by means of similar communication equipment whereby all persons participating in the meetings are able to communicate as a group, without requiring the Directors' physical presence at the meetings.

The Board and Board Committees circulate written resolutions to its members to regulate the business operations of the Company. The Board also conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committee Meetings held in FY2015[1]

The number of meetings held by the Board and Board Committees and attendance thereat during FY2015 are as follows:

	Board[2]		Audit Committee[2]		Nominating Committee[3]		Remuneration Committee[3]		Risk Management Committee[4]	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Zang Jian Jun (Executive Director)	5	3	–	–	–	–	–	–	–	–
Lu Da Chuan[5] (Executive Director)	5	4	–	–	–	–	–	–	–	–
Liu Zhong Qiu (Executive Director)	5	4	–	–	–	–	–	–	–	–
Wen Jie (Executive Director)	5	5	–	–	–	–	–	–	–	–
Liu Lei[6] (Executive Director)	1	1	–	–	–	–	–	–	–	–
Ooi Hoe Seong (Independent Director)	5	5	5	5	1	1	1	1	1	1
Toh Hock Ghim (Independent Director)	5	5	5	5	1	1	1	1	1	1
Ling Chi (Independent Director)	5	1	5	2	1	–	1	–	1	1

Notes:

(1) The attendance of the Directors, including those acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.

(2) In addition to holding physical meetings, the Board and the Audit Committee were kept informed of the operations of the Company via email and telephone. Documents relating to the Company were circulated via email for the Board and Audit Committee's consideration and the Board, the Audit Committee and the Management also contacted each other on an informal basis to discuss these matters. Pursuant to their review, the Board and the Audit Committee passed resolutions in writing to approve matters relating to the Company's businesses.

(3) In addition to holding physical meetings, documents relating to the Company, the re-election of certain members of the Board, the re-constitution of the Board Committees and remuneration packages ("**NC/RC Matters**") were circulated via email to the Nominating Committee and the Remuneration Committee. The members of each of the Nominating Committee and the Remuneration Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Nominating Committee and the Remuneration Committee passed resolutions in writing to approve NC/RC Matters.

(4) The Risk Management Committee was established on 30 November 2015 and it held its first physical meeting on 24 December 2015. In addition to holding physical meetings, documents relating to the risk management structure of the Company, risk reporting model, controls and policies for risk management ("**RMC Matters**") were circulated via email to the Risk Management Committee. The members of the Risk Management Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Risk Management Committee passed resolutions in writing to approve RMC Matters.

(5) Mr. Lu Da Chuan was appointed to the Board with effect from 17 February 2015. Details of his appointment were contained in an announcement released via SGXNET on 17 February 2015.

(6) Mr. Liu Lei was appointed to the Board with effect from 17 August 2015. Details of his appointment were contained in an announcement released via SGXNET on 17 August 2015.

Matters Requiring Board Approval

The Board's approval is required for matters such as:

(a) all announcements of the Group released via the SGXNET, in particular the Group's quarterly and annual financial results;

(b) the corporate strategy and direction of the Group, including major corporate policies on key areas of operations;

(c) interested person transactions;

(d) material acquisitions and disposals;

(e) corporate and financial restructuring, including mergers and joint ventures;

(f) major investments;

(g) declaration of interim dividends and proposal of final dividends; and

(h) appointments of new Directors and senior management.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board.

Training of Directors

All the newly appointed Directors were given an orientation to familiarise them with the Group's business and governance practices. In addition, they were each provided with a memorandum setting out the duties and obligations of a director of a listed company.

All Directors appointed to the Audit Committee were also provided with the Guidebook for Audit Committee in Singapore issued by the Audit Committee Guidance Committee.

Directors are also encouraged to attend seminars and training courses to assist them in executing their obligations and responsibilities to the Company. Details of seminars and courses held by the Singapore Accounting & Corporate Regulatory Authority ("**ACRA**"), Singapore Institute of Directors and Singapore Exchange Trading Limited are sent to the Directors via email for their consideration. Some of the Directors attended a training relating to the roles and responsibilities of a director of a listed company held by Morgan Lewis Stamford LLC in October 2015.

Further to the above, the Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings or via email. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of business operations.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Details relating to the changes to the Board are set out in the section entitled "Board Matters – Board's Conduct of its Affairs" set out in this Report. As at the date of this Report, the Board comprised five Executive Directors and three Independent Directors as set out below:

(a) Executive Directors
Mr. Zang Jian Jun (Executive Chairman)
Mr. Lu Da Chuan (Chief Executive Officer)
Mr. Liu Zhong Qiu (Chief Operating Officer)
Mr. Wen Jie
Mr. Liu Lei

(b) Independent Directors
Mr. Ooi Hoe Seong
Mr. Toh Hock Ghim
Ms. Ling Chi

For key information on these Directors, please refer to their profiles set out in this Report. Information relating to their respective shareholdings in the Company is also disclosed in the Report of the Directors contained in this Report.

In FY2015, Mr. Lu Da Chuan and Mr. Liu Lei were appointed to the Board and when appointing new Directors, the Board and the Nominating Committee took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing their curriculum vitaes and declaration forms, the Board and the Nominating Committee were satisfied that these newly-appointed Directors were of sufficient calibre and were able to contribute to the Board as well as the Company effectively.

In general, the Board and the Nominating Committee review the composition of the Board and the Board Committees regularly to ensure that they are well-constituted and comprise members of sufficient calibre and who contribute effectively to the Company. Pursuant to their review, the Board and the Nominating Committee are of the view that the current size and composition of the Board are appropriate for effective decision-making, having taken into account the nature of the businesses and current scope of operations of the Group as the Directors are business leaders and professionals with industry background and/or financial backgrounds. The Board's composition also enables the Management to benefit from a diverse and objective external perspective when issues are brought before the Board for discussion.

As one-third of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines of the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Mr. Ooi Hoe Seong, Mr. Toh Hock Ghim and Ms. Ling Chi are independent to the Group and the Management.

For avoidance of doubt, the criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its shareholders who have an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs.

In addition, the Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the Management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also have no financial or contractual interests in the Group other than by way of their fees as set out in the Directors' Statement.

The Board and the Nominating Committee will continue to review the composition of the Board on an annual basis to ensure that the Board continues to have members who would be able to provide the Board with an appropriate mix of expertise and experience, and that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

In the event that a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, shall determine the selection criteria and select candidates with the appropriate expertise and experience for the position. In particular, the Board and the Nominating Committee took into consideration the following factors:

(a) the Board should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);

(b) the Board should comprise a majority of non-executive directors, with at least half of the Board made up of independent non-executive directors;

(c) the Board should have enough directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities; and

(d) the number of listed company board representations and other principal commitments of each Director when assessing whether each Director is able to adequately carry out his/her duties to the Company.

Chairman and Chief Executive Offcer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

As at the date of this report, Mr. Zang Jian Jun holds the position as the Company's Executive Chairman while Mr. Lu Da Chuan holds the position as the Company's Chief Executive Officer.

The Executive Chairman, Mr. Zang Jian Jun, and the Chief Executive Officer, Mr. Lu Da Chuan are not related to each other. They each assume different roles and responsibilities.

Although the Executive Chairman is part of the management team, the Company is in compliance with the principles set out in the Code as the Company had previously appointed Mr. Ooi Hoe Seong as the Lead Independent Director of the Company.

The Executive Chairman leads the Board and is responsible for the management of the Board. He develops and instills core corporate values into the Group. He also provides guidance and mentorship to the Management.

The Chief Executive Officer carries out the strategic plan agreed by the Board. He is also responsible for the day-to-day running of the Group's business. In addition to this, his role is also to develop an achievable and a sustainable business model for the Group.

All major decisions made by the Executive Chairman and Chief Executive Officer are under the purview of review by the Audit Committee.

Each of the Executive Chairman's and Chief Executive Officer's performance and appointment to the Board are also reviewed periodically by the Nominating Committee while their remuneration packages are reviewed periodically by the Remuneration Committee. In addition, at least a third of the Board is made up of the Independent Directors to ensure independent review of the Management's performance. As such, the Board believes that the power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Nominating Committee

The Nominating Committee is chaired by Mr. Toh Hock Ghim and its members include Mr. Ooi Hoe Seong and Ms. Ling Chi.

The primary functions of the Nominating Committee are as follows:

(a) to identify candidates and review all nominations for the appointment or reappointment of members of the Board and Chief Executive Officer of the Group, and to determine the selection criteria thereof;

(b) to ensure that all Board appointees undergo an appropriate induction programme;

(c) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(d) to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

(e) to decide whether a Director is able to and has been adequately carrying out his duties as director of the Company, particularly where the Director has multiple board representations;

(f) to review the independence of each Director annually;

(g) to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval; and

(h) to assess the effectiveness of the Board as a whole.

The Nominating Committee is also responsible for ensuring that the existing Directors contribute a blend of relevant experiences to the Board and have core competencies to effectively manage the Company. In view that some of the Directors may serve on multiple boards, the Nominating Committee also performs annual evaluation to determine if such Director is able to commit to the Company effectively despite his other commitments.

As part of their review, the Nominating Committee noted the following engagements of the existing Directors:

Name of Director	Current directorship in other listed companies	Past directorship in other listed companies (for the last three years)
Zang Jian Jun	–	–
Lu Da Chuan	–	–
Liu Zhong Qiu	–	–
Wen Jie	–	–
Liu Lei	–	–
Ooi Hoe Seong	–	–
Toh Hock Ghim	Equation Summit Limited FDG Kinetic Ltd (formerly known as CIAM Group Ltd)	Kinergy Limited WE Holdings Ltd
Ling Chi	–	–

The Code recommends that listed companies fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of other directorships and other principal commitments of the Directors may be found on pages 6 to 7. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the Nominating Committee has taken cognizance of the recommendations under the Code, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their other principal commitments per se. The contributions by the Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meeting are also holistically assessed and taken into account by the Nominating Committee.

In addition, the Board did not fix the maximum number of listed company board representations and other principal commitments which any Director may hold as currently, none of the Directors hold more than two directorships in other listed companies.

After reviewing the disclosures made by the Directors as well as their performances for FY2015, the Board is of the view that the Directors have been able to devote adequate time and attention to the affairs of the Company and they have been able to fulfil their duties as directors to the Company.

For FY2015, the Nominating Committee has also noted that the Group has not employed any person who is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

In the event that the Board needs to be reconstituted, the Nominating Committee is responsible for nominating suitable candidates to the Board for appointment as Director, if the nominee is able to fill up the core competencies and expertise which the existing Board lacks. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. In its search and nomination process for new directors, the Nominating Committee will also have, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

For any appointment of a new Director to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectation gaps. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The Board will consider the potential candidates and Directors newly appointed by the Board are appointed by way of resolutions passed by the Board, following which they are subject to election by Shareholders at the next Annual General Meeting immediately following their appointment and thereafter, they are required to retire once every three years under Bye-Law 86 of the Company's Bye-Laws.

In FY2015, the Nominating Committee reviewed the resignations and the appointments of Directors to the Company. In particular, the Nominating Committee having reviewed their competencies in business and/or trading management, recommended to the Board Mr. Lu Da Chuan as Executive Director and Chief Executive Officer and Mr. Liu Lei as Executive Director.

Re-election of Directors

Pursuant to its review, the Nominating Committee has noted the dates of appointment of the existing Directors are as follows:

Name of Director	Age	Date of Initial Appointment
Zang Jian Jun	41	4 January 2012
Lu Da Chuan	40	17 February 2015
Liu Zhong Qiu	64	2 December 2013
Wen Jie	49	3 December 2014
Liu Lei	40	17 August 2015
Ooi Hoe Seong	65	30 December 2011
Toh Hock Ghim	74	30 December 2011
Ling Chi	75	7 February 2013

There are no Directors who have served the Board beyond nine years from the date of his/her first appointment.

The re-election of Directors is held annually and in accordance with the Bye-Laws of the Company. As set out in Bye-Law 86(1) of the Company's Bye-Laws, each Director shall retire at least once every three years and shall be eligible for re-election at each Annual General Meeting. Accordingly, pursuant to Bye-Law 86(1) of the Company's Bye-Laws, Ms. Ling Chi will be due for retirement and re-election at the forthcoming Annual General Meeting.

As set out in Bye-Law 85(6) of the Company's Bye-Laws, any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, pursuant to Bye-Law 85(6) of the Company's Bye-Laws, Mr. Liu Lei will be due for retirement and re-election at the forthcoming Annual General Meeting.

The Board has delegated to the Nominating Committee the functions of developing and maintaining a transparent and formal process for the appointment of new directors, making recommendations for directors who are due for retirement by rotation to seek re-election at the subsequent general meeting and determining the independent status of each director.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

To ensure that the Board contributes effectively to the Group, the Nominating Committee evaluates the Board's performances using assessment parameters, including (i) the Director's attendance at the meetings of the Board and the relevant Board Committees; (ii) the Director's level of participation at the meetings of the Board and the relevant Board Committees; (iii) quality of the interventions made by the Director; and (iv) the special contributions of the Director. Other assessment criteria include evaluation of the Board's success in achieving its strategic and long-term objectives, the Group's profitability, the Group's return on assets and the Group's return on equity.

The Nominating Committee also takes into consideration the skills and experience of each Director to ensure that the Directors appointed are able to assist the Company and the Group adequately. The assessment on the Board is both quantitative and qualitative in nature. To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

(a) his/her participation at the meetings of the Board;

(b) his/her ability to contribute to the discussion conducted by the Board;

(c) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;

(d) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

(e) his/her compliance with the policies and procedures of the Group;

(f) his/her performance of specific tasks delegated to him/her;

(g) his/her disclosure of any related person transactions or conflicts of interest; and

(h) for Independent Director, his/her independence from the Group and the Management.

In addition to its constant evaluation of the Board's performance, the Nominating Committee also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting.

Based on the Nominating Committee's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfil its responsibilities, the Management provides the Board with adequate information on a regular basis, to update the Board on the affairs of the Company and the Group.

On-going reports relating to the developments, the operational performances and the financial performances of the Group are provided to the Board on a regular basis such that the Board is kept informed of the Group's performances.

Board papers are also circulated to the Directors prior to each meeting to allow the Directors to prepare for that meeting such that they may participate actively at the meeting and have a more effective discussion of the issues faced by the Group. In particular, financial statements of the Group which are prepared on a quarterly basis are circulated to all the Directors for their review, allowing the Directors to have an awareness of the Group's financial position. The Management will also attend the Board meetings to provide the Directors with information as well as to answer any queries that the Directors may have, allowing the Directors to be kept updated on the health of the Group's businesses and operations.

In general, the Board has unrestricted access to the Company's records and information. Each member of the Board also has separate and independent access to the Company Secretary and Ernst & Young LLP (the external auditor) when they each require assistance or advice from the Company Secretary or Ernst & Young LLP, as the case may be. The Board, whether individually or collectively, in furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense. In addition, the Independent Directors have access to all levels of key personnel in the Group.

In particular, the Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-Laws and relevant rules and regulations, including requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are complied with.

(B) REMUNERATION MATTERS

Remuneration Committee

The Remuneration Committee comprises Ms. Ling Chi as its Chairman and Mr. Ooi Hoe Seong and Mr. Toh Hock Ghim as its members.

Notwithstanding the above, the Group may appoint individuals as new Directors and as members of the Remuneration Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The responsibilities of the Remuneration Committee include the following:

(a) to attract, retain and reward well-qualified people to serve the Group by pegging remuneration and benefits at competitive rates;

(b) to review Directors' fees to ensure that they are at sufficiently competitive levels;

(c) to reward staff based on their merit and performance through annual merit service increments;

(d) to review and advise the Board on the terms of appointment and remuneration of its members and senior management of the Group;

(e) to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and

(f) to recommend to the Board in consultation with the Management and the Chairman of the Board, any long term incentive scheme.

The Remuneration Committee reviews and recommends to the Board for approval of the fees and remuneration of all Directors (including the Executive Chairman and Chief Executive Officer). No Director is involved in deciding his own remuneration.

The Remuneration Committee will be provided with access to professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

The Remuneration Committee reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As part of its review, the Remuneration Committee shall ensure that:

(a) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

(b) the remuneration packages should be comparable with comparable companies within the industry, shall include a performance-related element; and

(c) the remuneration package of employees related to Directors or Controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The members of the Remuneration Committee have not and will not participate in any decision concerning their own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

In setting remuneration packages, the Remuneration Committee will take into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee will ensure that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Executive Directors' interests with those of Shareholders and link rewards to corporate and individual performance.

In determining the remuneration of the Independent Directors, the Remuneration Committee will ensure that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Independent Directors. The Remuneration Committee will ensure that Independent Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Directors. The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

Currently, the Company does not have any long-term incentive scheme for its Directors and key management executives.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Details of remuneration in bands of S$250,000 paid to the Directors for the FY2015 are set out below:

Remuneration Band and Names of Directors	Fees (S$)	Salary (S$)	Bonus (S$)	Others (S$)	Total (S$)
Directors who are paid S$500,000 or more but less than S$600,000 annually					
Lu Da Chuan(1)	–	75%	23%	2%	100%
Directors who are paid S$250,000 or more but less than S$500,000 annually					
Liu Zhong Qiu	–	89%	11%	–	100%
Wen Jie	–	89%	11%	–	100%
Directors who are paid below S$250,000 annually					
Zang Jian Jun	–	100%	–	–	100%
Liu Lei(2)	–	71%	25%	4%	100%
Chen Xiao Yin(3)	–	100%	–	–	100%
Ooi Hoe Seong	100%	–	–	–	100%
Toh Hock Ghim	100%	–	–	–	100%
Ling Chi	100%	–	–	–	100%

<u>Notes</u>:

(1) Mr. Lu Da Chuan was appointed to the Board with effect from 17 February 2015. Details of his appointment were contained in an announcement released via SGXNET on 17 February 2015.

(2) Mr. Liu Lei was appointed to the Board with effect from 17 August 2015. Details of his appointment were contained in an announcement released via SGXNET on 17 August 2015.

(3) Ms. Chen Xiao Yin stepped down from the Board with effect from 17 February 2015. Details of her resignation were contained in an announcement released via SGXNET on 17 February 2015.

Details of remuneration paid to the Executive Officer(s) for the FY2015 are set out below:

Name of Executive Officer	Fees (S$)	Salary (S$)	Bonus (S$)	Others (S$)	Total (S$)
S$250,000 or more but less than S$500,000 annually					
Ju Jia	–	72%	28%	–	100%

Due to the size of the Company, the Company did not have any other Key Executives in FY2015 save for Mr. Zang Jian Jun, Mr. Liu Zhong Qiu, Mr. Wen Jie, Mr. Lu Da Chuan, Mr. Liu Lei and Ms. Ju Jia. The details of remuneration paid to these Key Executives for their services are set out above in bands of S$250,000.

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the Key Executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The Company also did not employ any employees who are immediate family members of a Director, the Chief Executive Officer or Substantial Shareholders in FY2015.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Management provides the Board with balanced and understandable management accounts of the Group's performance periodically as and when necessary. This includes, *inter alia*, circulating the financial statements, which are prepared on a quarterly basis, to the Directors for their review such that the Directors may monitor the Group's performance as well as the Management's achievements of goals and objectives set by the Board.

The Board provides the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis through its quarterly announcements on SGXNET in relation to its financial statements for the relevant financial period. The announcements containing the quarterly financial statements are signed by two Directors, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, that nothing has come to the attention of the Board which may render the unaudited interim financial statements contained in the announcements to be false or misleading in any material aspect.

The Company adopts the practice of communicating major developments in its business and operations to the SGX-ST, its shareholders and its employees. Announcements are released via SGXNET and if necessary, circulars and/or letters to shareholders are also sent to Shareholders of the Company to provide them with further information on the Company's businesses and operations.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the signifcant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee shall, on behalf of the Board, conduct regular review of the effectiveness and adequacy of the Group's internal control system, including financial, operational, compliance and information technology controls, put in place by the Management to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets.

The Risk Management Committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.

The Group has in place a management structure with clear reporting lines and delegation of authority to carry out its operations. Management monitors the performance, operation effectiveness and efficiency of the Company internal controls practices through their day-to-day involvement in the Group's operations.

Based on the findings of the external auditors, and the Company's internal auditor for FY2015, Nexia TS Risk Advisory Pte. Ltd. and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, maintained by the Management that were in place in FY2015 and up to the date of this report, are adequate and effective.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that:

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

(b) regarding the effectiveness of the Company's risk management and internal control systems.

The system of internal controls provides reasonable, but not absolute assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee is chaired by Mr. Ooi Hoe Seong and its members include Mr. Toh Hock Ghim and Ms. Ling Chi. All members of the Audit Committee bring with them invaluable managerial and professional expertise in the financial and/or business management spheres. In particular, Mr. Ooi Hoe Seong, the Chairman of the Audit Committee, has over 25 years of management, corporate finance and wealth management experience with many multi-national companies.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

In general, the Group may appoint individuals as new Directors and as members of the Audit Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The Audit Committee will assist the Board in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Company. The Audit Committee will provide a channel of communication between the Board, the Management and the external auditors of the Company, Ernst & Young LLP, on matters relating to audit. Ernst & Young LLP is an auditing firm registered with the Singapore Accounting & Corporate Regulatory Authority and it was in charge of auditing the Company and all its subsidiaries in FY2015. Accordingly, the Company is in compliance with Rule 712 and 715 of the SGX-ST's Listing Manual.

After the engagement of Ernst & Young LLP in FY2015, the Audit Committee held a formal meeting with Ernst & Young LLP for the purpose of facilitating discussion on Ernst & Young LLP's proposed audit approach and scope for the FY2015 audit in accordance with the requirements of the auditing standards and other professional requirements.

Notwithstanding the above, the Audit Committee Members also had informal discussions with the Management of the Company or such discussions were tabled at the Board Meetings instead. The Audit Committee meets as and when required to discuss and review the following matters:

(a) the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;

(b) the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;

(c) the financial statements of the Company and the consolidated financial statements of the Group;

(d) the quarterly and annual announcement of the results of the Group before submission to the Board for approval;

(e) the adequacy of the Group's internal controls with respect to the management, business and service systems and practices;

(f) legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

(g) the cost effectiveness, independence and objectivity of the external auditor;

(h) the approval of compensation to the external auditor;

(i) the nature and extent of non-audit services provided by the external auditor;

(j) the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;

(k) any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and the Management's response;

(l) to report actions and minutes of the Audit Committee to the Board with such recommendations as the Audit Committee considers appropriate;

(m) interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and

(n) reviewing the adequacy and effectiveness of the internal audit function.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings.

For FY2015, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The Audit Committee is satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Chief Financial Officer and other senior management in the Finance Department.

The Audit Committee has also reviewed the arrangements by which the employees of the Company may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are put in place for independent investigation of such matters and for appropriate follow-up action as and when the need arise. As at the date of this Report, the Company has put in place the whistle-blowing policy for this purpose.

The Audit Committee has reviewed the work performed by Ernst & Young LLP after taking into consideration the guidelines set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued in July 2010 by SGX-ST and ACRA and the "Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework" introduced by ACRA. After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the size and complexity of our Group, the Audit Committee and the Board were satisfied that Rules 712 and 715 of the SGX Listing Manual have been complied with and were of the view that Ernst & Young LLP have been able to assist the Company in meeting its audit obligations.

In accordance with Rule 1207(6) of the SGX-ST's Listing Manual, save for the tax advisory services by Ernst & Young Solutions LLP and the implementation of a risk management structure in the Company by Ernst & Young Advisory Pte. Ltd., there was no non-audit related work carried out by the external auditors for FY2015. In addition, the fees paid to Ernst & Young LLP for preparing the audited accounts of the Company and its subsidiaries for FY2015 were S$0.145 million (excluding disbursements and GST). The aggregate fees paid to Ernst & Young Advisory Pte Ltd and Ernst & Young Solutions LLP for the above mentioned non-audit related work were S$78,000 for FY2015. The fees paid to the previous auditors, Mazars LLP, in FY2015 were S$60,000 for audit work.

The Audit Committee has reviewed the non-audit services provided by Ernst & Young Solutions LLP and Ernst & Young Advisory Pte Ltd and is satisfied that the nature and extent of such services would not prejudice the independence of Ernst & Young LLP.

On this basis, the Audit Committee has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

Internal Audit

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits.

The Company had appointed the external audit firm Nexia TS Risk Advisory Pte. Ltd. to perform such internal audit functions of the Company for FY2015 and Deloitte Touche Enterprise Risk Services Pte Ltd to perform the same for FY2016 ("**Internal Auditors**"). The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

Messrs Nexia TS Risk Advisory Pte. Ltd. was not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by the Internal Auditors had met or are expected to meet or exceed the standards set out by the Institute of Internal Auditors.

The role of the Internal Auditors is to support the Audit Committee in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the Audit Committee.

The Internal Auditors shall remain independent of management and shall report directly to the Chairman of the Audit Committee. The Internal Auditors shall be responsible for the preparation of internal audit plans to be reviewed and approved by the Audit Committee.

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee reviewed and approved the internal audit plan proposed by the Internal Auditors. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investments and the Company's assets.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

The annual conduct of audits by the Internal Auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the Audit Committee and the Management that the Group's risk management, controls and governance processes are adequate and effective.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with continuous disclosure obligations of the Company, pursuant to the listing rules of the SGX-ST's Listing Manual, the Board's policy is that Shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all Shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required under the listing rules of the SGX-ST's Listing Manual and the relevant accounting standards;

- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;

- notices of and explanatory memoranda for annual general meetings and special general meetings;

- disclosures to the SGX-ST and the Shareholders by releasing announcements via SGXNET and its corporate website; and

- analyst briefings and investor roadshows.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend was paid or proposed for FY2015 as the Board elects to retain cash resources to invest in the Company's further development.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of its obligations to provide timely disclosure of material information to Shareholders and does so through (i) the Company's Annual Reports; (ii) the Group's results announcements; and (iii) other SGXNET announcements on developments within the Group or in relation to disclosures required by the SGX-ST. If necessary, the Group will also despatch circulars or letters to its Shareholders to provide the Shareholders with more information on its major transactions.

The Board regards the general meetings as opportunities to communicate directly with the Shareholders and encourages greater shareholder participation. As such, the Shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. Notices of general meetings are dispatched to the Shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting. The notices of general meetings are also released as announcements via SGXNET and advertised in the newspapers.

General meetings of the Company will be chaired by the Executive Chairman or his representatives and are also attended by other Directors, the Management, the Company Secretary and if necessary, Ernst & Young LLP (the external auditor). In the event that a Shareholder has any queries and/or concerns with regards to the Group, its businesses and operations, the Shareholder may raise his/ her queries and/or concerns at such general meetings so that the Company can better understand the views of the Shareholders. The Board (assisted by the Management, the Company Secretary or her representative, as well as the external auditor) will address any relevant queries and/or concerns raised by the Shareholders.

The Company's Bye-Laws allow any Shareholder to appoint one or two proxies to attend the general meetings held and vote in his/her place. However, the Board is of the view that voting in absentia can only be possible if there is absolute certainty that the integrity of the information and authentication of the identity of such Shareholder is not compromised. In addition to the above, the results of all general meetings are also released as announcements via SGXNET.

(E) DEALINGS IN SECURITIES

The Company has issued an internal compliance code on securities transactions to Directors and key employees (including employees with access to price-sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Rule 1207(19) of the Listing Manual issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly or half-year results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for FY2015, the Company has complied with Rule 1207(19) of the Listing Manual.

(F) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, Director's Report and these financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholders subsisting at the end of FY2015.

(G) REPORT ON THE USE OF SHARE PLACEMENT PROCEEDS

As announced via SGXNET, the Company had on 4 September 2015 allotted and issued 705,530,975 new ordinary shares to subscribers at the issue price of S$0.35 per share representing gross proceeds of approximately S$247 million, which was/will be utilised for expansion of trading business (including commodity and derivative trading), repayment of shareholders' loan, general working capital of the Group and general corporate activities, including but not limited to potential acquisitions and joint ventures. By the financial period ended 31 December 2015, the utilisation of proceeds are as follows:

Utilisation of Proceeds	US$'000
Description	
Expansion of trading business (Including commodity and derivative trading)	93,399
Repayment of shareholder loan	9,100
General working capital of the Group[(1)]	3,900
General corporate activities, including but not limited to potential acquisitions and joint ventures	28,000
Total	134,399

Note:

(1) General working capital of the Group comprises entirely administrative expenses.

(H) INTERESTED PERSON TRANSACTIONS

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

The Board will meet to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST's Listing Manual.

The Audit Committee has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

The Group and the Company confirm that there were no other interested person transactions during the period under review.

(I) RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

The Risk Management Committee was established on 30 November 2015 to assist the Board in the governance of risk. In particular, the committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of CEFC International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

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 2015 and the financial performance, changes in equity and cash flow of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

Zang Jian Jun
Lu Da Chuan
Liu Zhong Qiu
Wen Jie
Liu Lei
Ooi Hoe Seong
Toh Hock Ghim
Ling Chi

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interest in the shares, share options, warrants or debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company.

The directors' interests as at 21 January 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Options

During the financial year, there was:

(a) no option granted by the Company to any person to take up unissued shares in the Company and its subsidiaries; and

(b) no share issued by virtue of any exercise of option to take up unissued shares in the Company and its subsidiaries.

As at the end of the financial year, there was no unissued share under option in the Company or its subsidiaries.

Audit committee

The Audit Committee ("AC") of the Company comprises three non-executive directors and at the date of this statement, they are:

Ooi Hoe Seong (Chairman)
Toh Hock Ghim
Ling Chi

The AC had convened five meetings during the financial year with key management and the internal and external auditors of the Company. The AC had carried out its functions, including the following:

(i) Reviewed the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) Reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Reviewed the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) Reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) Reviewed the effectiveness of the Group's and the Company's internal controls, including financial operational and compliance controls and risk management via reviews carried out by the internal auditors;

(vi) Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(vii) Reviewed the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(viii) Reviewed interested person transactions in accordance with SGX listing rules;

(ix) Recommended to the Board of Directors the nomination of external auditor, and approved the compensation to the external auditor; and

(x) Reported actions and minutes of the AC to the Board of Directors with any recommendations as the AC deems appropriate.

Audit committee (cont'd)

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the directors the nomination of Ernst & Young LLP for re-appointment as the external auditors of the Group at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

Zang Jian Jun
Director

Lu Da Chuan
Director

Singapore: 4 March 2016

INDEPENDENT AUDITOR'S REPORT

to the Members of CEFC International Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements of CEFC International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Statements.

Other matter

The financial statements for the financial year ended 31 December 2014 were audited by another firm of auditor whose report dated 13 March 2015 expressed an unqualified opinion on those financial statements.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the provisions of the Singapore Companies Act, Chapter 50 (the "Act") to be kept by the subsidiary corporation incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
4 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 US$'000	Group 2014 US$'000
Revenue	4	474,471	327,261
Cost of sales		(447,036)	(322,723)
Gross profit		27,435	4,538
Other income		104	101
Total operating income		27,539	4,639
Administrative expenses	5	(5,578)	(3,483)
Finance expenses		(81)	(119)
Other operating expenses		(43)	(2)
Share of results of joint venture	11	(45)	–
Total operating expenses		(5,747)	(3,604)
Profit before income tax		21,792	1,035
Income tax expense	7(a)	(3,847)	(320)
Profit for the financial year, representing total comprehensive income for the year		17,945	715
Earnings per share from profit attributable to owners of the Company (cents per share)			
Basic and diluted	8	0.478	0.020

There is no other comprehensive income for the financial years ended 31 December 2015 and 2014.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

As at 31 December 2015

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		US$'000	US$'000	US$'000	US$'000
Non-current assets					
Property and equipment	9	351	146	–	–
Intangible assets		1	1	1	1
Investment in subsidiaries	10	–	–	28,160	160
Investment in joint venture	11	26,575	–	–	–
Total non-current assets		26,927	147	28,161	161
Current assets					
Trade receivables	12	197,692	31,360	–	–
Other assets	13	3,060	233	23	21
Amounts due from subsidiaries	14	–	–	124,220	140
Cash and cash equivalents	15	43,606	2,594	22,411	320
Total current assets		244,358	34,187	146,654	481
Total assets		271,285	34,334	174,815	642
Current liabilities					
Trade payables	20	62,369	16,864	–	–
Other payables	21	1,491	196	91	95
Amounts due to holding company	22	5,685	15,575	–	2,379
Amounts due to a subsidiary	14	–	–	–	846
Income tax payable	7(b)	4,047	346	–	–
Total current liabilities		73,592	32,981	91	3,320
Net current assets/(liabilities)		170,766	1,206	146,563	(2,839)
Non-current liability					
Provision for reinstatement cost	19	141	29	–	–
Total non-current liabilities		141	29	–	–
Total liabilities		73,733	33,010	91	3,320
Equity					
Share capital	17	545	454	545	454
Share premium	18	196,308	18,116	196,308	18,116
Retained earnings/(accumulated losses)		699	(17,246)	(22,129)	(21,248)
Total equity		197,552	1,324	174,724	(2,678)
Total equity and liabilities		271,285	34,334	174,815	642

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Attributable to the owners of the Company			
	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total equity/ (capital deficiency)
	US$'000	US$'000	US$'000	US$'000
Group				
At 1 January 2014	454	18,116	(17,961)	609
Profit for the financial year, representing total comprehensive income for the financial year	–	–	715	715
Balance at 31 December 2014 and at 1 January 2015	454	18,116	(17,246)	1,324
Issuance of subscription shares (Note 17, 18)	91	178,192	–	178,283
Profit for the financial year, representing total comprehensive income for the financial year	–	–	17,945	17,945
Balance at 31 December 2015	545	196,308	699	197,552
Company				
At 1 January 2014	454	18,116	(20,042)	(1,472)
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(1,206)	(1,206)
Balance at 31 December 2014 and at 1 January 2015	454	18,116	(21,248)	(2,678)
Issuance of subscription shares (Note 17, 18)	91	178,192	–	178,283
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(881)	(881)
Balance at 31 December 2015	545	196,308	(22,129)	174,724

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

For the financial year ended 31 December 2015

	Note	Group 2015 US$'000	Group 2014 US$'000
Cash flows from operating activities			
Profit before income tax		21,792	1,035
Adjustments for:			
Amortisation of intangible assets		1	5
Depreciation of property and equipment	9	115	79
Loss on disposal of property and equipment	9	24	–
Interest expense		81	119
Interest income		(3)	(2)
Share of results of joint venture	11	45	–
Unrealised exchange differences		(81)	(118)
Operating cash flows before changes in working capital		21,974	1,118
Changes in working capital:			
Increase in trade receivables		(166,332)	(8,874)
Increase in trade payables		45,505	3,054
(Increase)/decrease in other assets		(2,841)	262
Increase/(decrease) in other payables		1,422	(388)
Cash flows used in operations		(100,272)	(4,828)
Income taxes paid	7(b)	(149)	(224)
Interest paid		(81)	(119)
Interest received		3	2
Net cash flows used in operating activities		(100,499)	(5,169)
Cash flows from investing activities			
Purchases of property and equipment	9	(344)	–
Additions to intangible assets		(1)	–
Investment in joint venture	11	(26,620)	–
Net cash flows used in from investing activities		(26,965)	–
Cash flows from financing activities			
Issuance of subscription shares	17, 18	178,283	–
Repayments to holding company		(9,746)	(537)
Fixed deposits released from financial institutions	15	1,001	3,204
Net cash flows generated from financing activities		169,538	2,667
Net increase/(decrease) in cash and cash equivalents		42,074	(2,502)
Cash and cash equivalents at beginning of year		1,593	4,103
Effects of exchange rate changes on cash and cash equivalents		(61)	(8)
Cash and cash equivalents at end of year	15	43,606	1,593

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. General information

CEFC International Limited (the "Company") (Registration Number : 35733) is incorporated in Bermuda as an exempted company with limited liability and listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at 1 Raffles Place, #11-61 One Raffles Place, Singapore 048616.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 10 to the financial statements.

Singapore Petrochemical & Energy Development Pte. Ltd., a company incorporated in the Republic of Singapore, is the Company's immediate and ultimate holding company.

2. Summary of significant accounting policies

2.1 ***Basis of preparation***

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by International Accounting Standards Board ("IASB"), and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each entity of the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

The financial statements are presented in United States dollar ("USD" or "US$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("US$'000"), unless otherwise indicated.

2.2 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised IFRS and interpretations which are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Amendments to IAS 1 *Disclosure Initiative*	1 January 2016
Amendments to IFRS 11 *Joint Arrangements*	1 January 2016
Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2016
Amendments to IAS 19 *Employee Benefits*	1 January 2016
Amendments to IAS 27 *Equity method in Separate Financial Statements*	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to IFRS 7 *Statement of Cash Flows*	1 January 2017
Amendments to IAS 16 *Property, Plant and Equipment*	1 January 2018
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application, except for IFRS 9, IFRS 15 and IFRS 16 which are under review.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. IFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

The new leasing standard of IFRS 16 which was issued in January 2016 will require lessees to recognise most leases on their balance sheets, with exceptions for short-term leases or for low-value assets. Under the new leasing standard, lessees are required at inception to recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is subsequently adjusted to reflect interest and lease payments, and the related right-of-use asset is depreciated over its useful life. The Group is currently assessing the impact of IFRS 16 and plans to adopt the standard on the required effective date.

2.4 *Basis of consolidation*

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets, liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in a subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation (cont'd)***

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of a subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.5 ***Foreign currency transactions and translation***

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e., functional currency, to be US$. Sales prices and major costs of providing goods and services including major operating expenses are primarily denominated in US$.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

2. Summary of significant accounting policies (cont'd)

2.6 ***Business combinations***

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell, and except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-Based Payment*; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (cont'd)

2.7 ***Joint arrangements***

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.8.

2.8 ***Joint ventures***

The Group accounts for its investment in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Summary of significant accounting policies (cont'd)

2.9 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

(a) *Physical trading*

Revenue from the physical trading is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

(b) *Derivative trading*

Revenue from derivative trading is recognized from the mark-to-market activities of the derivatives traded into from the trade date.

(c) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

2.10 ***Borrowing costs***

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.11 ***Retirement benefit costs***

Payment to defined contribution retirement benefits plans are charged as an expense as they fall due. Payment made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.12 ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.13 ***Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property and equipment.

2. **Summary of significant accounting policies (cont'd)**

2.13 ***Property and equipment (cont'd)***

Subsequent expenditures relating to property and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using straight-line method, on the following bases:

Office equipment, furniture and fitting	-	5 years
Motor vehicles	-	5 years
Computers	-	3 years
Leasehold improvements	-	3 years or shorter of the leases

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property and equipment is recognised in profit or loss.

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use.

2.14 ***Intangible assets***

Computer software

Acquired computer software licenses are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss over their estimated useful lives of 3 years.

2.15 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.15 ***Impairment of non-financial assets (cont'd)***

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 ***Financial instruments***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

All financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade receivables, other assets (excluding prepayments), amounts due from subsidiaries and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2. Summary of significant accounting policies (cont'd)

2.16 ***Financial instruments (cont'd)***

Initial recognition and measurement (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Regular way purchase or sale at a financial asset

All regular way purchases and sales at financial asset are recognised or derecognised on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales at financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2. **Summary of significant accounting policies (cont'd)**

2.16 ***Financial instruments (cont'd)***

Initial recognition and measurement (cont'd)

(b) Financial liabilities (cont'd)

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Trade and other payables (excluding provisions), amounts due to holding company and a subsidiary

Trade and other payables (excluding provisions), amounts due to holding company and a subsidiary are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously.

2.17 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits with financial institutions, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral, which form an integral part of the Group's cash management.

2.18 ***Operating leases***

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2. Summary of significant accounting policies (cont'd)

2.18 ***Operating leases (cont'd)***

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19 ***Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as and when they arise.

2.20 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who makes strategic decisions.

2.21 ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grant related to income is presented as a credit in profit or loss under "Other income".

2.22 ***Financial guarantee contracts***

The Company has issued corporate guarantees to banks for borrowings by a subsidiary and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breaches any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with IAS 18 *Revenue*.

2. Summary of significant accounting policies (cont'd)

2.23 ***Share capital, share premium and share issuance expenses***

Ordinary share capital is classified as equity.

Share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its share premium account in any manner permitted by law.

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 ***Derivative financial instruments***

Derivative financial instruments arise from commodity futures and forwards transactions undertaken by the Group through the commodity trading markets and with over-the-counter ("OTC") counterparties.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of a trading derivative is presented as a current asset or liability. Fair value changes on these derivatives are recognised in profit or loss when the changes arise, except for those that qualify as hedge accounting, which is recognised in the hedging reserve.

The Group does not apply hedge accounting on its derivative financial instruments.

2.25 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.26 ***Income taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

2. Summary of significant accounting policies (cont'd)

2.26 ***Income taxes (cont'd)***

(a) *Current income tax (cont'd)*

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.26 ***Income taxes (cont'd)***

(b) *Deferred tax (cont'd)*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Critical accounting estimates, assumptions and judgements

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Allowance for trade receivables*

The provision policy for doubtful receivables of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of the Group's trade receivables as at 31 December 2015 was US$197,692,000 (2014: US$31,360,000) (Note 12).

(b) *Provision for income taxes*

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 31 December 2015 was US$4,047,000 (2014: US$346,000) (Note 7(b)).

4 Revenue

	Group	
	2015	2014
	US$'000	US$'000
Physical trading of petroleum and petrochemical products	453,395	327,261
Derivative trading - net gain	21,076	–
	474,471	327,261

5. Administrative expenses

The following items have been included in arriving at administrative expenses:

	Group	
	2015	2014
	US$'000	US$'000
Audit fees paid to auditors of the Group	188	103
Non-audit fees paid to auditors of the Group	55	–
Depreciation of property and equipment (Note 9)	115	79
Operating lease expenses	721	615
Professional fees	267	572
Directors' fees	218	236
Overseas travelling expenses	228	169
Office supplies	224	23
Staff cost (Note 6)	2,851	1,624
Rental compensation cost	409	–
Others	302	62
	5,578	3,483

Others primarily consist of advertising cost.

6. Staff cost

	Group	
	2015	2014
	US$'000	US$'000
Salaries and bonuses	2,566	1,518
Employer's contribution to defined contribution plan	64	61
Other staff related costs	221	45
	2,851	1,624

7(a). Income tax expense

	Group	
	2015	2014
	US$'000	US$'000
Tax expense attributable to profit before taxation is made up of:		
- Current income tax	3,795	349
- Under/(over)provision in respect of prior years	52	(29)
	3,847	320

Income tax is calculated on the estimated assessable profit for the financial year at the rates prevailing in the relevant jurisdictions.

7(a). Income tax expense (cont'd)

A significant amount of the Group's profits are derived from Singapore, and the income tax expenses varied from the amount of income tax expense determined by applying the Singapore standard income tax rate of 17% to profit before taxation as a result of the following differences:

	Group	
	2015	2014
	US$'000	US$'000
Profit before taxation	21,792	1,035
Applicable statutory tax rate of 17% (2014: 17%)	3,704	176
Adjustment for:		
Non-deductible expenses	209	234
Income not subject to taxation	(23)	(17)
Effect of partial tax exemption and tax relief	(117)	(47)
Deferred tax assets not recognised	22	–
Under/(over)provision in respect of prior years	52	(29)
Others	–	3
Income tax expense recognised in profit or loss	3,847	320

The Singapore Government has announced that for Years of Assessment ("YA") 2016 and 2017, all companies will receive a 30% Corporate Income Tax ("CIT") Rebate that is subject to a cap of US$20,000 per YA (YA 2013 to YA 2015: cap of US$30,000 per YA).

7(b). Income tax payable

Movement in income tax payable are as follows:

	Group	
	2015	2014
	US$'000	US$'000
At beginning of year	346	250
Current income tax	3,795	349
Under/(over) provision in respect of prior years	52	(29)
Exchange translation differences	3	–
Income tax paid	(149)	(224)
At end of year	4,047	346

There is no income tax payable for the Company as at the end of 31 December 2015 and 2014 as the Company was in loss-making positions for 2015 and 2014.

8. Earnings per share

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

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share:

	Group	
	2015	2014
Profit for the financial year attributable to owners of the Company (US$'000)	17,945	715
Weighted average number of ordinary shares outstanding for earnings per share ('000)	3,757,677	3,527,655
Earnings per share (cents)	0.478	0.020

9. Property and equipment

Group	Office equipment, furniture and fitting	Motor vehicles	Computers	Leasehold improvements	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2014, 31 December 2014 and at 1 January 2015	61	216	27	44	348
Additions	73	–	76	195	344
Disposals	(50)	–	–	(13)	(63)
At 31 December 2015	84	216	103	226	629
Accumulated depreciation					
At 1 January 2014	20	76	12	15	123
Depreciation	11	43	9	16	79
At 31 December 2014 and at 1 January 2015	31	119	21	31	202
Disposal	(27)	–	–	(12)	(39)
Depreciation	11	43	15	46	115
At 31 December 2015	15	162	36	65	278
Carrying amounts					
At 31 December 2014	30	97	6	13	146
At 31 December 2015	69	54	67	161	351

As at the reporting date, a carrying amount of US$122,550 (2014: US$6,052) relating to leasehold improvements was provided for reinstatement costs of the Group's office premises.

As at the reporting date, there are computer equipments held by the Company, with a cost of US$1,500 (2014: US$1,500) and which had been fully depreciated as at the end of 2015 and 2014. Other than the computer equipments, there is no other property and equipment held by the Company.

10. Investment in subsidiaries

	Company 2015	Company 2014
	US$'000	US$'000
Unquoted equity share, at cost	28,160	160

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held by the Company 2015	Effective equity interest held by the Company 2014
			%	%
Singapore CEFC Petrochemical & Energy Pte. Ltd. (Note a)	Singapore	Trading	100	100
Hong Kong China Energy Finance Service Co., Limited. (Note b)	Hong Kong	Trading and investment holding	100	100

(a) Audited by Ernst & Young LLP, Singapore
(b) Audited by Ernst & Young LLP, Hong Kong

Capital injection into a subsidiary - Hong Kong China Energy Finance Service Co., Limited. ("HKCEFC")

On 12 December 2013, the Company incorporated a new wholly-owned subsidiary, HKCEFC with authorised and issued share capital of US$300 million. However as at 31 December 2014, there was no capital injected in HKCEFC and HKCEFC had not commenced its business activity.

On 24 December 2015, a capital injection of US$28 million was made into HKCEFC for the Group to invest in a joint venture (Note 11).

11. Investment in joint venture

On 24 December 2015, the Group injected US$26,620,000 through HKCEFC into a joint venture, Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited, resulting in the Group holding a 49% interest in the ownership and voting rights in the joint venture. This joint venture is incorporated in the People's Republic of China and is a strategic venture in the Group's business. The Group jointly controls the venture with a partner under a contractual agreement which requires unanimous consent for all major decisions over the relevant activities of the joint venture.

11. Investment in joint venture (cont'd)

The summarised financial information in respect of the joint venture based on its People's Republic of China GAAP financial statements, and reconciliation with the carrying amount of the investment in the financial statements are as follows:

	Group
Summarised balance sheet	**2015**
	US$'000
Cash and cash equivalents	24,127
Prepayments	2,119
Work in progress	24,932
Intangible asset	18,616
Total assets	69,794
Other payables	60
Long term loan	15,500
Total liabilities	15,560
Net assets	54,234
Proportion of the Group's ownership	49%
Group's share of net assets	26,575
Carrying amount of the investment	26,575
Summarised statement of comprehensive income	
Administrative expenses	83
Finance expenses	8
Net loss, representing total comprehensive income for the year	91

As at the reporting date, the Group's share of results of the joint venture amounted to a loss of US$45,000.

12. Trade receivables

	Group	
	2015	**2014**
	US$'000	**US$'000**
Trade receivables - third parties	8,181	31,360
Trade receivables - related party	189,511	–
	197,692	31,360

Trade receivables are non-interest bearing and the average credit period on sale of goods range from 90 to 180 days (2014: 5 to 90 days) according to the terms agreed with the customers.

There is no trade receivable held by the Company as at the end of 31 December 2015 and 2014.

13. Other assets

	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Deposits	281	147	–	–
Prepayments	111	74	23	21
Margin account with broker	2,645	–	–	–
Other receivables	23	12	–	–
	3,060	233	23	21

Margin account with broker includes cash deposit held with a third party financial institution for the Group to conduct its futures derivatives trading and is non-interest bearing.

14. Amounts due from/(to) subsidiaries

The amounts due to/(by) the Company from/(to) subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

15. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Cash and short-term deposits	43,606	1,593	22,411	320
Fixed deposits pledged	–	1,001	–	–
	43,606	2,594	22,411	320

Cash and short-term deposits earn interest at floating rates based on daily bank deposit rates.

Fixed deposits of the Group as at 31 December 2014 bear interest at an effective interest rate of 0.12% per annum, are for tenure of approximately 7 days, and were pledged to banks to secure credit facilities granted to a subsidiary. There is no fixed deposit held by the Group as at 31 December 2015.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise of cash and short-term deposits at the end of the reporting period.

16. Derivatives

As at the reporting date, the notional amount of physical trading derivatives and futures derivatives traded amounted to US$17,471,431 (2014: US$Nil) and US$44,515,840 (2014: US$Nil), respectively.

Futures derivatives are transacted through a broker over the Intercontinental Exchange.

17. Share capital

	Group and Company			
	Number of share			
	2015	2014	2015	2014
			US$'000	US$'000
Authorised at HK$0.001 each	15,000,000,000	15,000,000,000	1,931	1,931
Issued and fully paid ordinary shares at HK$0.001 each				
At beginning of financial year	3,527,654,875	3,527,654,875	454	454
Issuance of subscription shares	705,530,975	–	91	–
At end of financial year	4,233,185,850	3,527,654,875	545	454

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meetings of the Company.

18. Share premium

	Group and Company	
	2015	2014
	US$'000	US$'000
At beginning of financial year	18,116	18,116
Issuance of subscription shares	178,192	–
At end of financial year	196,308	18,116

19. Provision for reinstatement cost

In accordance with the lease agreement entered into by the Group as at the end of the reporting date, the office premise in Singapore must be restored to its original condition at the end of the leasing period due 2018. The Group has made provision for this purpose.

	Group	
	2015	2014
	US$'000	US$'000
At beginning of financial year	29	30
Additions	147	–
Utilised	(29)	–
Exchange translation differences	(6)	(1)
At end of financial year	141	29

There is no provision for reinstatement cost carried by the Company as at the end of 31 December 2015 and 2014.

20. Trade payables

	Group	
	2015	2014
	US$'000	US$'000
Trade payables - third parties	62,369	16,864

Trade payables are non-interest bearing and the average credit period on purchases of goods range from 30 to 120 days (2014: 15 to 90 days) according to the terms agreed with the suppliers.

There is no trade payable carried by the Company as at the end of 31 December 2015 and 2014.

21. Other payables

	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Advance collection	863	–	–	–
Provisions	291	–	–	–
Accrued operating expenses	337	196	91	95
	1,491	196	91	95

Advance collection represents advance payments made by the Group's derivative trading counterparties and is non-interest bearing.

22. Amounts due to holding company

The amounts due by the Group and the Company to the holding company is non-trade in nature, unsecured, interest-free and is repayable on demand.

23. Operating lease commitments

At the end of the financial year, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and other operating facilities as follows:

	Group	
	2015	2014
	US$'000	US$'000
Future minimum lease payments payable:		
Within one year	1,068	391
After one year but within five years	1,722	–
Total	2,790	391

The non-cancellable leases on the Group's office premises will expire in 3 years, subject to an option for renewal. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 5 to the financial statements.

There is no operating lease commitment entered into by the Company as at the end of 31 December 2015 and 2014.

24. Contingent liabilities, unsecured

As at 31 December 2015, the Company had given guarantees amounting to US$241,000,000 (2014: US$311,000,000) to certain banks in respect of banking facilities granted to a subsidiary.

At the end of the financial year, the total amount of utilised facilities covered by the guarantees is US$Nil (2014: US$15,000,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the banking facilities. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has evaluated the fair value of the corporate guarantee. Consequently, the Company is of the view that the fair value of the guarantees to the banks and financial institutions with regard to the subsidiary is not significant. The subsidiary for which the guarantees were provided is also in favourable equity positions and is profitable.

25. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) ***Physical trading with a related company***

During the financial year, the Group sold petroleum products amounting US$269,211,000 to Shanghai Huaxin Group (Hongkong) Limited, a subsidiary of CEFC Shanghai, which is a related company to the Group.

(b) ***Key management personnel compensation***

	Group	
	2015	2014
	US$'000	US$'000
Key management personnel		
Salaries and bonuses	1,578	778
Employers' contribution to defined contribution plan	20	32
Other allowances	20	2
	1,618	812

Total compensation paid to directors of the Group for the financial year ended amounted to US$1,407,000 (2014: US$812,000).

26. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. The Group has two reportable business segments being trading of petrochemical products, and petroleum products segments.

Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Hong Kong and People's Republic of China which are engaged in the trading of petrochemical and petroleum.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior financial periods in the measurement methods used to determine reported segment profit or loss.

(a) *Analysis by business segment*

2015	Petrochemical	Petroleum	Unallocated	Per consolidated financial statements
	US$'000	US$'000	US$'000	US$'000
Revenue:				
External customers	24,454	450,017	–	474,471
Results:				
Interest income	–	–	3	3
Interest expense	(19)	(62)	–	(81)
Depreciation and amortisation	–	–	(116)	(116)
Segment profit/(loss) before income tax	13	27,338	(5,559)	21,792
Segment assets:				
Trade receivables	–	197,692	–	197,692
Segment liabilities:				
Trade payables	–	62,369	–	62,369

26. Segment information (cont'd)

(a) ***Analysis by business segment (cont'd)***

2014	Petrochemical	Petroleum	Unallocated	Per consolidated financial statements
	US$'000	US$'000	US$'000	US$'000
Revenue:				
External customers	197,966	129,295	–	327,261
Results:				
Interest income	–	–	2	2
Interest expense	(47)	(72)	–	(119)
Depreciation and amortisation	–	–	(84)	(84)
Segment profit/ (loss) before income tax	3,940	479	(3,384)	1,035
Segment assets:				
Trade receivables	16,285	15,075	–	31,360
Segment liabilities:				
Trade payables	1,916	14,948	–	16,864

(b) ***Analysis by geographical segment***

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Europe	35,296	–	–	–
Hong Kong	303,769	62,978	–	–
Malaysia	–	93,679	–	–
People's Republic of China	52,217	114,714	26,575	–
Singapore	83,189	55,890	352	147
	474,471	327,261	26,927	147

Non-current assets information presented above consist of property and equipment and intangible assets as presented in the statements of financial position.

27. Financial instruments and financial risks

The Group's activities expose it to credit risks, risks of product price changes, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors. The AC provides independent oversight to the effectiveness of the risk management process.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(a) ***Credit risks***

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group's major classes of financial assets are bank deposits and trade receivables. The Group's and Company's bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2015	2014
	US$'000	US$'000
Not past due	147,704	16,978
Past due less than 90 days	49,988	–
Past due more than 90 days	–	14,382
	197,692	31,360

Based on past experience, the Group believes that no impairment allowance is necessary in respect of the trade receivables due to the good payment track record of its customers. There is no impaired trade receivable as at 31 December 2015 and 2014.

27. Financial instruments and financial risks (cont'd)

(a) *Credit risks (cont'd)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	Group	
	2015	2014
	US$'000	US$'000
By country:		
Hong Kong	197,692	1,904
People's Republic of China	–	14,382
Singapore	–	15,074
	197,692	31,360
By industry sectors:		
Petrochemical	–	16,285
Petroleum	197,692	15,075
	197,692	31,360

Information about a major customer

At the end of the reporting date, approximately 96% (2014: 48%) of the Group's trade receivables were due from a major customer who is trading in petroleum (2014: petrochemical) product, and which is also a related company.

The financial assets are not secured against any collaterals or credit enhancements.

(b) *Risk of product price changes*

Petrochemical and petroleum products are subject to significant price fluctuations. The Group control the price risks within clear delegations of authority. The referred price risks relate to sale and purchase of petrochemical and petroleum products. At the end of the financial year, the Company is not exposed to significant product price risk.

(c) *Market risks*

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risks

The Group has foreign currency exposures as it transacts business in various foreign currencies other than the functional currency of the Group. The foreign currencies in which these transactions are denominated are mainly Singapore dollar. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

27. Financial instruments and financial risks (cont'd)

(c) ***Market risks***

Foreign currency risks (cont'd)

The carrying amount of the Group's and the Company's SGD denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

Group	2015 SGD US$'000	2014 SGD US$'000
Financial assets		
Cash and cash equivalents	1,789	915
Other assets (excluding prepayments)	304	159
	2,093	1,074
Financial liabilities		
Other payables (excluding provisions)	331	192
Amounts due to holding company	–	2,236
	331	2,428
Currency exposure on net financial assets/(liabilities)	1,762	(1,354)

Company	2015 SGD US$'000	2014 SGD US$'000
Financial assets		
Cash and cash equivalents	105	311
Other assets (excluding prepayments)	–	–
Amounts due from subsidiaries	3,771	126
	3,876	437
Financial liabilities		
Other payables (excluding provisions)	91	95
Amounts due to holding company	–	2,040
Amounts due to subsidiaries	–	846
	91	2,981
Currency exposure on net financial assets/(liabilities)	3,785	(2,544)

The Company has a number of investments in foreign operations, whose net assets are exposed to foreign exchange translation risk.

27. Financial instruments and financial risks (cont'd)

(c) ***Market risks (cont'd)***

Foreign currency risks (cont'd)

Foreign currency sensitivity analysis

The Group is mainly exposed to Singapore dollar ("SGD").

The following table details the Group's sensitivity to a 5% (2014: 5%) change in various foreign currencies against the functional currency of the Group and the Company. The sensitivity analysis assumes an instantaneous 5% (2014: 5%) change in the foreign currency exchange rates at the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD are included in the analysis.

	Profit or loss before tax			
	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
SGD against USD:				
- Strengthened	88	(68)	189	(127)
- Weakened	(88)	68	(189)	127

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group is not significantly exposed to interest rate risk as it has no significant interest-earning financial assets and no significant interest-bearing financial liabilities.

(d) ***Liquidity risks***

Liquidity risk refers to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors their liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's operations are financed mainly through equity. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

27. **Financial instruments and financial risks (cont'd)**

(d) ***Liquidity risks (cont'd)***

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company is expected to receive or pay.

	On demand or within one year			
	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Trade receivables	197,692	31,360	–	–
Other assets (excluding prepayments)	2,949	159	–	–
Amounts due from subsidiaries	–	–	124,220	140
Cash and cash equivalents	43,606	2,594	22,411	320
	244,247	34,113	146,631	460
Financial liabilities				
Trade payables	62,369	16,864	–	–
Other payables (excluding provisions)	1,200	196	91	95
Amounts due to holding company	5,685	15,575	–	2,379
Amounts due to a subsidiary	–	–	–	846
	69,254	32,635	91	3,320
Total net undiscounted financial assets/ (liabilities)	174,993	1,478	146,540	(2,860)

(e) ***Offsetting financial assets and financial liabilities***

Trade receivables subject to offsetting arrangements

The Group regularly transacts with certain counterparties with enforceable master netting arrangement and where these counterparties have an arrangement with the Group to settle the net amount due to or from each other.

The Group's trade receivables and trade payables that are off-set as at the end of 31 December 2015 are as follows:

Description	Gross carrying amounts	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position
	US$'000	US$'000	US$'000
Trade receivables	9,034,858	(3,047,886)	5,986,972
Trade payables	4,731,230	(3,047,886)	1,683,344

There is no trade receivable or trade payable as at the end of 31 December 2014 that can be off-set.

27. Financial instruments and financial risks (cont'd)

(f) ***Financial instruments by category***

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position, except for the following:

	Group		Company	
	2015	2014	2015	2014
	US$'000	US$'000	US$'000	US$'000
Loans and receivables	244,247	34,113	146,631	460
Financial liabilities at amortised cost	69,254	32,635	91	3,320

28. Fair value of assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

The carrying amounts of these assets and liabilities, including cash and cash equivalents, trade receivables, other assets (excluding prepayments), amounts due from/(to) subsidiaries, amounts due to holding company and other payables (excluding provisions) are reasonable approximation of fair values, due to their short-term maturities.

29. Capital management

Capital includes debt and equity items as disclosed in the table below.

The Group manages its capital to ensure that the Group is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group is dependent on the holding company on financial management as the Group's and the Company's borrowings are mainly taken from the holding company.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued capital, premium and reserves as disclosed in Notes 17, 18, and the statements of changes in equity.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group and the Company are not subject to any externally imposed capital requirements during the financial years ended 31 December 2015 and 2014.

29. Capital management (cont'd)

	Group 2015 US$'000	Group 2014 US$'000
Trade payables (Note 20)	62,369	16,864
Other payables (Note 21)	1,491	196
Amounts due to holding company (Note 22)	5,685	15,575
Less: Cash and short-term deposits (Note 15)	(43,606)	(1,593)
Net debt	25,939	31,042
Total capital	197,552	18,116
Capital and net debt	223,491	49,158

30. Events occurring after the reporting period

On 8 January 2016, the Group incorporated a wholly-owned subsidiary 'Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd.' in the People's Republic of China, through one of the Group's subsidiary, HKCEFC. The issued and paid-up share capital of the new subsidiary amount US$10,000,000, and its principal activities are in equity trust investment management and consulting services including investment consulting, management consulting and business information consulting. The subsidiary is set up for the purpose of investing in complimentary businesses and to expand the Group's business in the People's Republic of China, particularly in the Shanghai Free-Trade Zone.

31. Authorisation of financial statements

The consolidated financial statements of the Group, and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2015 were approved and authorised for issue by the Board of Directors on 4 March 2016.

STATISTICS OF SHAREHOLDINGS

As at 14 March 2016

Authorised Share Capital	HK$15,000,000
Issued and fully paid-up capital	HK$4,233,186
Class of Shares	Ordinary Shares of HK$0.001 each
Voting rights	One Vote per Share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	7	0.83	247	0.00
100 - 1,000	73	8.64	68,992	0.00
1,001 - 10,000	269	31.83	2,072,900	0.05
10,001 - 1,000,000	467	55.27	34,534,600	0.82
1,000,001 AND ABOVE	29	3.43	4,196,509,111	99.13
TOTAL	845	100.00	4,233,185,850	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SINGAPORE PETROCHEMICAL & ENERGY DEVELOPMENT PTE LTD	2,701,614,695	63.82
2	NORTHERN INTERNATIONAL CAPITAL HOLDINGS (HK) LIMITED	352,765,487	8.33
3	RAFFLES NOMINEES (PTE) LIMITED	182,286,400	4.31
4	HONG KONG GREAT WALL ECONOMIC COOPERATION CENTRE LIMITED	176,382,744	4.17
5	HUANGHE EXPLORATION & TECHNOLOGY (GROUP) LIMITED	176,382,744	4.17
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	123,828,600	2.93
7	OCBC SECURITIES PRIVATE LIMITED	87,580,998	2.07
8	CITIBANK NOMINEES SINGAPORE PTE LTD	80,323,600	1.90
9	PHILLIP SECURITIES PTE LTD	69,079,100	1.63
10	DBSN SERVICES PTE LTD	69,010,745	1.63
11	MA ONG KEE	36,000,000	0.85
12	LUAN WENBO	30,700,000	0.73
13	UOB KAY HIAN PRIVATE LIMITED	30,268,111	0.72
14	KGI FRASER SERCURITIES PTE LTD	17,033,600	0.40
15	ABN AMRO CLEARING BANK N.V.	16,367,500	0.39
16	LIM & TAN SECURITIES PTE LTD	10,166,200	0.24
17	DBS NOMINEES (PRIVATE) LIMITED	6,110,800	0.14
18	CIMB SECURITIES (SINGAPORE) PTE LTD	4,054,387	0.10
19	CHEAH HONG TOY	3,610,000	0.09
20	LEI QIUJU	3,240,600	0.08
	TOTAL	4,176,806,311	98.70

As at 14 March 2016

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 14 March 2016)

	Number of Shares			
Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Singapore Petrochemical & Energy Development Pte. Ltd.	2,701,614,695	63.82	–	–
Ye Jianming[(1)]	–	–	2,701,614,695	63.82
China United Association (HK) Limited[(1)]	–	–	2,701,614,695	63.82
Northern International Capital Holdings (HK) Limited	352,765,487	8.33	–	–
Shanghai Tongtian Investment Holding Co., Ltd.[(2)]	–	–	352,765,487	8.33
Liu Wei[(2)]	–	–	352,765,487	8.33

Notes:

(1) Mr. Ye Jianming and China United Association (HK) Limited are the shareholders of Singapore Petrochemical & Energy Development Pte. Ltd. As at 14 March 2016, Mr. Ye Jianming held 66.67% and China United Association (HK) Limited held 33.33% of the shares in Singapore Petrochemical & Energy Development Pte. Ltd. Accordingly, Mr. Ye Jianming and China United Association (HK) Limited are deemed to be interested in the shares of the Company held by Singapore Petrochemical & Energy Development Pte. Ltd.

(2) Mr. Liu Wei owns 98% of the equity interest in Shanghai Tongtian Investment Holding Co., Ltd., which in turn owns 98% of the shares in Northern International Capital Holdings (HK) Limited. Accordingly, Mr. Liu Wei and Shanghai Tongtian Investment Holding Co., Ltd. are deemed to be interested in the shares of the Company held by Northern International Capital Holdings (HK) Limited.

Percentage of shareholding held in the hands of public

Based on the information available to the Company as at 14 March 2016, the percentage of shareholding in the Company held in the hands of public is approximately 27.85%. At least 10% of the Company's issued ordinary shares are held by the public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2016 of CEFC International Limited (the "Company") will be held at 168 Robinson Road, FTSE Room Level 9, Capital Tower, Singapore 068912 on 28 April 2016 at 6 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2015 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect as a director, Mr. Liu Lei who is retiring pursuant to Bye-Law 85(6) of the Company's Bye-Laws. **(Resolution 2)**

   Mr. Liu Lei will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

3. To re-elect as a director, Ms. Ling Chi who is retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws. **(Resolution 3)**

   Ms. Ling Chi will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nominating Committee and a member of the Risk Management Committee.

4. To re-appoint Ernst & Young LLP as the Company's Auditor and to authorise the Directors to fix their remuneration. **(Resolution 4)**

5. To approve the payment of Directors' fees of S$300,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears. **(Resolution 5)**

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

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

   "Resolved that:

   (a) pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

(b) (notwithstanding that the authority conferred by paragraph (a) of this Resolution may have ceased to be in force) the Directors be authorised to issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be offered other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such 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 (i) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Memorandum of Association and the Bye-Laws for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue to be 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 the earlier."

[See Explanatory Note (I)] **(Resolution 6)**

By Order of the Board

Zang Jian Jun
Executive Chairman
12 April 2016

Explanatory Notes:

(I) The Ordinary Resolution 6 proposed in item 7 above, if passed, is to empower the Directors to issue Shares (as defined above) and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to this Ordinary Resolution 6 (including shares to be issued in pursuance of instruments made or granted) shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company, with a sub-limit of 20% for Shares issued other than on a pro rata basis (including Shares to be issued in pursuance of instruments made or granted pursuant to this Ordinary Resolution 7) to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Ordinary Resolution 6, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities; (b) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Ordinary Resolution 6, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. Any person who holds Shares through The Central Depository (Pte) Limited and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore) shall be referred herein as the "**Depositor**".

2. For a Depositor who is a corporation and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2016, if it wishes to attend and vote at the Annual General Meeting 2016, such Depositor must nominate a proxy or two proxies to attend and vote at the Annual General Meeting 2016 for and on its behalf by completing the Depositor Proxy Form (in accordance with the instructions thereto) and depositing the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2016. Each proxy appointed must be natural person but need not be a member of the Company.

3. For a Depositor who is a natural person and whose his name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2016, he need not complete and submit the Depositor Proxy Form if he is attending the Annual General Meeting 2016 in person. However, if he is unable to attend the Annual General Meeting 2016 in person but wishes to be represented at the Annual General Meeting 2016, he must complete the Depositor Proxy Form (in accordance with the instructions thereto) and deposit the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2016. Each proxy appointed must be natural person but need not be a member of the Company.

4. If a Shareholder (who or which holds Shares in his/its own name) wishes to appoint a proxy/proxies, then the Shareholder Proxy Form must be completed (in accordance with the instructions thereto) and deposited at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2016.

5. The Company shall be entitled to reject any Depositor Proxy Form or Shareholder Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Depositor Proxy Form or Shareholder Proxy Form, as the case may be. In addition, in the case of shares entered into the Depository Register, the Company may reject a Depositor Proxy Form if the Depositor (being the appointor) is not shown to have Shares entered against his/its name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting 2016 as certified by The Central Depository (Pte) Limited to the Company.

6. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote and/or attending personally at the Annual General Meeting 2016 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 Annual General Meeting 2016 (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting 2016 (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. In addition, by attending the Annual General Meeting 2016 and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

CEFC International Limited

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