



AP OIL INTERNATIONAL LIMITED

環球石油常年報告
ANNUAL REPORT

2020



CONTENT

目录

CORPORATE OVERVIEW 愿景	01
BRAND VISION 品牌愿景	02
GROUP FINANCIALS 集团财务摘要	05
CHAIRMAN'S MESSAGE 主席献词	06
CEO'S MESSAGE 执行总裁献词	08
BOARD OF DIRECTORS 董事部	10
KEY EXECUTIVES 子公司主管简介	14
REVIEW OF OPERATIONS 营运总结报告	15
FINANCIAL CONTENT 财务报告目录	17
CORPORATE GOVERNANCE REPORT 企业监管声明	18
INFORMATION ON SHAREHOLDINGS 股票统计资料	128
NOTICE OF ANNUAL GENERAL MEETING 常年股东大会通告	130
SUSTAINABILITY REPORT 可持续发展报告	137
PROXY FORM 授权表格	
CORPORATE INFORMATION 集团资讯	

CORPORATE PROFILE

Established in 1975, AP Oil International Ltd (“AP Oil”) is a public company, listed on the main board of Singapore Exchange in 2003.

AP Oil started its lubricant blending in 1981, setting up the first Singaporean owned lube plant in the Republic of Singapore. AP Oil makes world class lubricants that meet standards and specifications of international institutions and OEM requirements.

AP Oil is a leading lubricants and specialist chemicals manufacturer in the Asia Pacific, serving customers from more than 20 countries, including U.S.A., Greece, Australia, China, Japan, Russia, the Middle East and ASEAN countries etc.

VISION

To be a reputable leader in the lubricants and specialty chemicals industries in the Asia Pacific region.

MISSION

To deliver world class quality products and always provide better service, exceeding customer’s expectations in the ever changing market requirements.



The infinity icon of the logo symbolizes a world of unlimited possibilities. This reflects our philosophy of “All Possibilities” (AP), our aspiration to create and explore endless business opportunities in the oil industry and beyond. Marine blue signifies resource and strength. The evolving shades of blue, conveying dynamism and mobility, depicts our creative energy and progressive spirit in pursuit of growth in the ever changing world. The green element underscores our commitment to environmental friendliness and corporate social responsibility.

公司标志的双环图像代表无穷大的境界，蕴含无限机遇。我们会在石油化工及集团经营的其他领域不断寻找无限商机，为争取优越表现而不懈地努力。海蓝色象征才智与资源。色调递变，青出于蓝，更胜于蓝，寓意日新月异世界中力争上游、创新进取的精神。青绿色代表和谐与融洽，凸显我们对环保与履行企业社会责任的承诺。

ALL POSSIBILITIES



THE POSSIBILITY OF PEOPLE

Behind our AP Oil brand is our heartware – the individuals who set wheels in motion. From the management, staff, stakeholders to partners, they are ambassadors representing the human spirit of our AP Oil brand. Empowered in spirit, body and mind, believing that the power of human energy has no boundaries, makes all things possible.



THE POSSIBILITY OF PERFORMANCE

The pursuit of optimum performance remains at the heart of our business through constant research and development, we believe performance drives us forward in search of achieving the best.

Along with an innovative mindset running seamlessly throughout our organisation, we strive towards providing the best possible performance in sustaining the quality of life.



THE POSSIBILITY OF PARTNERSHIP

AP Oil values the synergy of partnership – collaborating with our partners, friends and industry players, always. Through the mutual exchange of ideas, opinions and perspectives, we believe that all can be made possible when we work together.

More importantly, in our efforts to provide more efficient energy, we partner the environment to ensure a cleaner environment for all.

OUR CORPORATE CULTURE

我们的企业文化



DILIGENCE
SINCERITY
LOYALTY
HARMONY

Diligence and devotion have been a hallmark of AP Oil's work forces.

Sincerity and fairness in all our dealings is what we believe in and practise everyday.

Loyalty to the company and commitment to give the best in all our endeavours are traditions we adhere to and take pride in keeping.

Cordial teamwork always exists among all levels of staff members and this spirit of harmony is extended to business partners particularly customers with bona fide bonding, friendly and the best possible service.

This corporate culture, which has been tenderly nurtured from day one, is transcended from the boardroom to the shop floor.

It has stood AP Oil in good stead, enabling us to overcome challenges and to grow in the past decades and emerge as one of the leading lubricants and specialty chemical specialists in the Asia Pacific.

勤奋努力和拚搏奉献一直是环球石油团队成员的特质。

以诚为本、公平互惠地处理所有事务，既是我们所信奉的目标，也是每天力行的常规。

忠于职守、精益求精是我们一向秉持的优良传统，我们对此引以为豪。

公司上下全体同仁协作无间，与业务夥伴融洽协作，尤其真诚地礼待顾客，力求为他们提供最优质的服务。

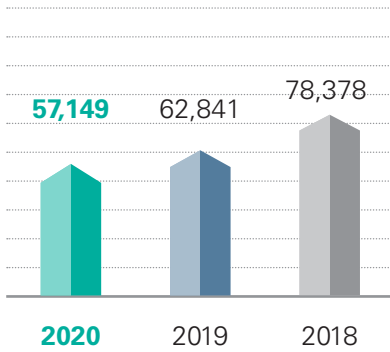
成立伊始，我们便悉心培植这一优良企业文化，时至今日，由上而下，已渗透到公司的各方面。

回望过去十年，它令集团受益无穷，使我们得以克服困难、茁壮成长，成为亚太地区领先的润滑油和特种化学品专家级企业之一。

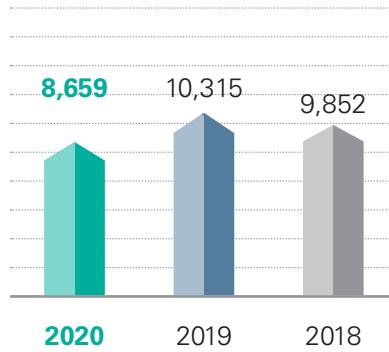
GROUP FINANCIALS

集团财务摘要

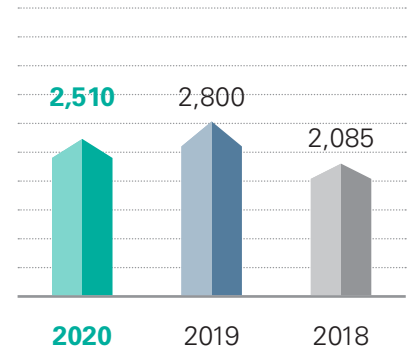
REVENUE (S\$'000)



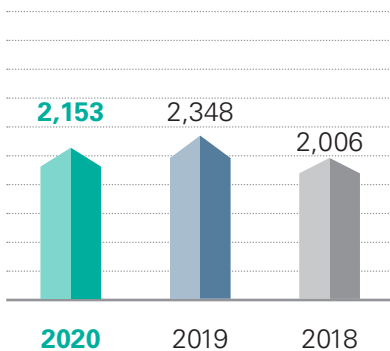
GROSS PROFIT (S\$'000)



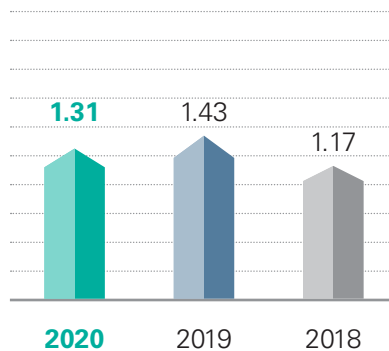
PROFIT BEFORE TAX (S\$'000)



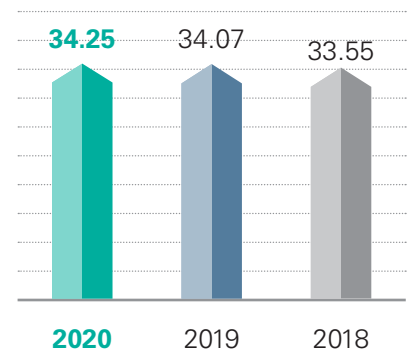
NET PROFIT AFTER TAX (S\$'000)



EARNINGS PER SHARE (cents)



NET ASSET PER SHARE (cents)



	2020	2019	2018
Revenue (S\$'000)	57,149	62,841	78,378
Gross Profit (S\$'000)	8,659	10,315	9,852
Gross Margin (%)	15.2	16.4	12.6
Profit Before Tax (S\$'000)	2,510	2,800	2,085
Net Profit After Tax (S\$'000)	2,153	2,348	2,006
Net Margin (%)	3.8	3.7	2.6
Earnings Per Share (cents)	1.31	1.43	1.17
Net Asset Per Share (cents)	34.25	34.07	33.55
Ordinary Shares	164,531,172	164,531,172	164,531,172

CHAIRMAN'S MESSAGE

主席献词

Dear Shareholders,

In 2020, COVID-19 has infected almost 100 million people and claimed nearly 2 million lives worldwide. The economies of Europe and the United States were battered badly while the economy of Singapore contracted by 5.4%.

AP Oil recorded an after-tax profit of \$2,153,000 despite a 9% revenue decrease to \$57,419,000 in FY2020.

In the face of major crises throughout the last few decades (the economic depression in 1986, Asian financial crisis in 1998, and the US financial turmoil in 2008), AP Oil stayed true to its founding values and averted retrenchments in a manner befitting a responsible, long-standing local establishment. Notwithstanding acute economic pressure, we prioritized hiring as many local employees as possible in fulfilment of our social obligations.

Given the historically unprecedented scale of this pandemic, it is envisaged that the impact and fallout of COVID-19 on general activity norms and the world economy will linger for several years. We are well prepared for opportunities amid crises. The Group will make corresponding adjustments in business policies over the short to medium-term, focusing extensively on flexibility in formulating strategies. It is synonymous with our long-term goal of ensuring AP Oil stays relevant in an ever-evolving market and growing value via business alliances, mergers and acquisitions. These will continue to be the strategic directions for the future growth of the Group.

The increasing trend of electric vehicles will reduce demand of automotive engine oils. This foreseen impact has been factored into our medium and long-term plans as we make relentless efforts in search of niche markets and new business opportunities. Meanwhile, our two wholly owned subsidiaries, A.I.M Chemical and GB Chemicals, will continue to focus on organic growth of specialty chemical products and related services.

For FY2020, the Group is pleased to announce a dividend of 0.50 cent per share. We are deeply grateful to all shareholders and business partners for their concern and continued support for the Group.

My very best wishes,



Ho Leng Woon
Chairman

CHAIRMAN'S MESSAGE

主席献词

敬愛的各位股東，

新冠病毒在2020年感染了全球近亿人口，夺走了二百多万条生命。在这场世纪瘟疫肆虐下，欧美各国经济都呈现负增长，新加坡经济也下挫了5.4%。

2020财政年度，环球集团的总营业额虽然减少了9%，报57,149,000元，但税后盈利仍有2,153,000元。

作为立足新加坡的悠久企业，环球石油恪守履行社会职责的传统，在过去几十年面临大危机（1986的经济萧条，1998亚洲金融危机，2008年美国金融风波）都不曾裁员。这次疫情压力下，我们还尽量聘请本地员工。

这场百年仅见的大瘟疫对世界经济和人类活动的创伤与洗牌估计在接下来二、三年还会持续呈现。集团在经营方针，中短期计划上会做出相应的调整，在策略上也将会更加灵活。我们深知危机中常有机遇，集团长期发展的转形以及寻找并购联营对象是管理层自从公司上市后，都在进行中的目标，也将是今后继续努力的方向。

我们也意识到电动车辆的普及对车用润滑油用量减少的影响，这是中长期计划中必须考量的一个重要课题。另一方面，专注特殊化产品的有机增长以及物色其他可持续发展的商机也是集团接下来中、长期的努力投入的重点。

2020年财政年度集团将发每股0.5分的股息，我们深深感激各位股东、商业伙伴及各界朋友对集团的关心与支持。

祝福大家！



何能恩博士
集团主席

CEO'S MESSAGE

执行总裁献词

Dear Shareholders,

2020 has been by all accounts, an unusual year for all of us. Much ink has been spilt over how Covid has presented the global economy with an unprecedented pickle. A boon for some industries, a death knell for others, and a spectrum in between. But in summary, the industry in which we operate was one of those adversely affected by diminished manufacturing activity in the region, though we are very thankful not to be on the extreme end of the spectrum. The Group recorded a reduction in revenue and profit, the details of which can be found in the following pages.

Apart from the obvious business and operational challenges faced by the Group, what stood out for me was the challenges faced by our employees. The people who make up the Group. Just because Covid hogs the daily headlines, it does not mean the baseline of the vicissitudes of life has taken a break. Some of us have had to take extended leave of absence for medical (non Covid related) and personal reasons. Some of our foreign colleagues have had to relocate to Singapore at short notice, others had to return to their home countries to attend to family issues. We are grateful that all of them have now made it back to Singapore and are back to their posts.

I would like to believe we have done our part to stand by our employees in this time of uncertainty in their personal and professional lives. And it was gratifying to see our people going the extra mile to help one another get the job done during this difficult period.

It has been a year since we have all had to make major changes to the way we work, live and socialise. And the it seems that in this time, the team has adapted well to these changes. There are small gaps of course. Things will never be exactly the same as they were and nobody should harbour any illusions otherwise. But the human condition is innately resilient and the team is ready and looking forward to tackling the business challenges that lie ahead.

The economic challenges thrown up during Covid will be with us throughout the rest of the year. International refineries are struggling to react and adapt to changes to supply and demand patterns. The international supply chain for various materials will have to find new efficiencies. The Group will continue to manage our business around these disruptions. But these are global issues involving many players and it will take time for the volatility to end.

Amidst this uncertainty, there will also be opportunities and the Group remains committed to pursuing opportunities for inorganic growth during this time. In this regard, I am pleased to introduce our 2 new Independent Directors, Mr Mah How Soon and Mr Wan Kum Tho. Both gentlemen have experience with evaluating inorganic growth opportunities and we look forward to benefitting from their input at Board level.

On behalf of the Board of Directors, Management and Staff of the AP Oil Group, I would like to thank our shareholders, customers, partners, bankers and suppliers for your strong and committed support in a difficult year.

Thank you and I look forward to communicating with our shareholders at the upcoming Annual General Meeting.



Mr Ho Chee Hon
Group CEO

CEO'S MESSAGE

执行总裁献词

尊敬的股东们，

2020 年对每个人而言，都是不同寻常的一年。新冠疫情对大部分行业来说是致命的打击，但某些行业却迎来了新商机。我们的行业也受到不利影响，集团全年销售收入和净利润出现了不同程度的下滑。

疫情对于业务的影响是很明显的，但更让我忧心忡忡的是我们的员工。疫情几乎影响了每个人的日常生活，我们的一些员工出于医疗的需求（与新冠无关）和个人原因而不得不请假，一些外国同事则不得不在短时间内搬到来新加坡居住，还有一些同事必需回家乡处理家庭事务。值得庆幸的是，现在所有同事都回到了新加坡，回到了他们熟悉的岗位。

在这个充满不稳定的非常时期，不管是在生活上还是工作中，我们公司却竭尽全力地帮助所有员工。并且，我们也非常高兴地看到所有人在这个困难时期互相帮助，付出更多的努力去完成工作。

我们在工作、生活和社交方式重大改变已经一年了，目前看起来，整个团队已经很好地适应了这些变化。当然，疫情过后，所有事情都变得和以前不一样，但是，人类天生具有适应环境的能力，我们的团队已经做好充分的准备，期待迎接各种新的挑战。

新冠疫情对于世界经济的挑战还会继续，炼油厂正在努力应对和适应供求格局的变化，全球供应链也需要寻找新的合作模式，集团会继续在这些不断变化的环境中稳步拓展业务。

机遇总是与挑战并存，在战略上集团将继续寻求无机的增长机会。在这里，我非常高兴地向大家介绍两名新晋的独立董事，马浩顺先生和尹金涛先生。他们都在对企业并购增长的评估有非常丰富的经验，期待他们能为集团作出贡献。

最后，我谨代表环球石油集团的董事会、管理层和员工，向各位股东、商业夥伴、银行和供应商在这个困难的一年给予我们的坚定支持致以最真挚的感谢。

我期待在即将举行的股东大会上与各位见面，谢谢！



何其泓
集团 CEO

BOARD OF DIRECTORS

董事部



DR HO LENG WOON

何能恩 博士

CHAIRMAN 主席

Dr Ho has been Chairman and Managing Director since 1983. He handed over the CEO portfolio to Mr Ho Chee Hon in May 2015 and remains Executive Chairman of the Group. Apart from masterminding the Group's corporate policy, enterprise direction and business planning, he also oversees R&D in AP Oil. Dr Ho is also Chairman of AP Saigon Petro Joint Stock Co Ltd, AP Oil Singapore (Shanghai), AP Oil Singapore (Chongqing) and Asian Lubricant Manufacturers Union.

He holds a B. A. (1st Class Hons) Degree from Nanyang University, a PhD (Degree) from the University of Hull, England and a diploma in Management Studies from Graduate School of Business, University of Chicago. He is a member of the Society of Tribologists and Lubrication Engineers, USA. Before joining the company in 1981, as a

scholar he was bonded by Singapore Government to serve in the Public Utilities Board for 5 years and left as a Senior Hydrologist.

As an active participant in community services and charitable activities for the last three decades, Dr Ho has been on the management boards of Anglican High school, The Chinese High School, Hwa Chong Institution and Hwa Chong International School. He has also served as President of St John Brigade (Zone 2) and as Honorary Consul the Republic of Djibouti in Singapore.

何博士自 1983 年起一直担任主席兼董事总经理。何博士 2015 年 5 月卸任总裁职位，交棒给何其泓先生，仍为集团执行主席。何博士除了主导集团的政策方针，企业大计划外，也监管研发工作。他也是环球西贡石油联合股份公司、星环润滑油（上海）、新环润滑油（重庆）以及亚洲润滑油制造商联盟的董事长。

他持有南洋大学文学学士（甲等荣誉）学位，英国赫尔大学博士学位以及芝加哥大学商科研究院管理文凭。他也是美国摩擦学及润滑工程师协会的会员。1981 年加入公司前，何博士作为奖学金得主曾在公共事业局服务 5 年，离任时为高级水文专家。

何博士过去 30 多年踊跃参与公共及社区服务，历任圣公会中学、华中初级学院、华侨中学及华中国际学校等管委会董事。他也曾任圣约翰救护队第 2 区的主席及吉布提共和国驻新加坡荣誉领事。



MDM LAU WOON

CHAN 刘焕珍 女士

DIRECTOR 执行董事

Mdm Lau is one of the founders of the Company (formerly known as Huan Chew Oil Trading Pte Ltd, established in 1975). She is responsible for financial management and assists the Chairman in exploring and evaluating new business opportunities and shaping the Group's policy and strategy. She also looks after the financial matters of subsidiary, A.I.M. Chemical Industries Pte Ltd.

She is a director of the Group's major subsidiaries namely, AP Oil Pte Ltd, A.I.M. Chemical Industries Pte Ltd, GB Chemicals Pte Ltd, etc. Mdm Lau graduated from Nanyang University with a Bachelor of Arts Degree. Before joining the Company, she worked in private firms and Banque IndoSuez (Singapore).

刘女士是公司（前为 1975 年成立的环球石油贸易私人有限公司）创办人之一。她督导财务管理，也协助主席探索及评估新商机和拟定集团政策及策略以及负责子公司 A.I.M. 化工有限公司的财务事宜。

同时她也是多间集团主要子公司：环球石油私人有限公司、Alpha Pacific Petroleum (S)、GB 化工的董事。刘女士毕业于南洋大学，获得文学学士学位。加入公司前，她曾在民营企业任职，并曾任法国东方汇理银行（新加坡分行）职员。

BOARD OF DIRECTORS

董事部



MR CHANG KWOK WAH 曾觉华 先生
DIRECTOR 执行董事

He holds a Masters Degree in Business Administration (MBA) from Brunel University, U.K. and Associate Member of Chartered Secretaries, Australia.

曾先生于 2004 年被指任为环球石油的董事。他是集团全资子公司 A.I.M. 化工有限公司的董事总经理。子公司的业务发展、销售、财务、生产及行政等都由他领导。

曾先生拥有英国布鲁耐尔大学的工商管理学硕士学位。他也是澳大利亚特许秘书协会的会员。

Mr Chang was appointed to the Board in 2004. He is Managing Director of the Group's subsidiary, A.I.M. Chemical Industries Pte Ltd. He plays a leading role in business development, sales, finance, production, and general administration for the subsidiary.



MR HO CHEE HON 何其泓 先生
DIRECTOR 执行董事
GROUP CEO 集团总裁
Member, Audit Committee
审核委员会成员
Member, Nominating
Committee 提名委员会成员
Member, Remuneration
Committee 薪酬委员会成员

Before joining the Group, a Bachelor of Laws (Honors) graduate from National University of Singapore and a Master of Laws (Taxation from Washington University in St. Louis, USA), Mr Ho practised as a lawyer with Messrs Rodyk & Davidson.

何先生于 2005 年加入集团并在 2009 年 7 月被指任为董事。之后于 2012 年 9 月晋升为集团副总裁，并于 2015 年 5 月担任集团总裁一职。他除了协助主席规划整体发展方向、企业策划以及策略计划外，也专职负责督导日常润滑油的业务营运。

何先生也是集团所有子公司与联营企业的董事，包括环球石油私人有限公司、A.I.M. 化工、GB 化工、Alpha Pacific Petroleum(S)、AP (越南) 控股、环球西贡石油、星环润滑油 (上海)、新环润滑油 (重庆) 及重庆宗申融资租赁有限公司。

何先生同时拥有新加坡国立大学法学 (荣誉) 学士学位和美国圣路易斯华盛顿大学法学 (税务) 硕士学位，加入集团之前是本地著名的瑞德律师事务所的律师。

Mr Ho, joined the Group in 2005, was appointed to the Board in July 2009. He was promoted to Group Deputy CEO in September 2012 and Group CEO in May 2015. His responsibilities, apart from working with the Chairman in overall corporate direction, business policy and strategic planning, include overseeing day-to-day operation of the lubricants business.

Mr Ho is a director of the Group's subsidiaries and associated companies, namely AP Oil Pte Ltd, A.I.M. Chemical, GB Chemicals, Alpha Pacific Petroleum (S), AP (Vietnam) Holding, AP Saigon Petro JSC, AP Oil Singapore (Shanghai), AP Oil Singapore (Chongqing), and Chongqing Zongshen Financial Leasing Company Limited.

BOARD OF DIRECTORS

董事部



MR QUAH BAN HUAT

柯万法 先生

LEAD INDEPENDENT
DIRECTOR 主独立董事

Chairman, Audit
Committee 审核委员会主席
Chairman, Remuneration
Committee 薪酬委员会主席
Member, Nominating
Committee 提名委员会成员

Mr Quah was appointed as an Independent Director on 1 November 2010. He is currently a principal adviser at KPMG Services Pte Ltd and sits on the boards of several public and private companies. Mr Quah held various key finance positions in the past including amongst others, as Regional Business Area Controller at Deutsche Bank, Group Finance Director of the IMC Group, Chief Financial Officer of City Gas Pte Ltd, and Rickmers Trust Management Pte Ltd.

Other than AP Oil International Limited, Mr Quah is a director at Samudera Shipping Line Ltd and Grindrod Shipping Holdings Ltd.

Mr Quah is a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

柯先生于2010年11月1日被指任为独立董事。他目前是KPMG Services Pte Ltd (毕马威) 的顾问, 并同时担任几家公共和私人公司的董事职位。在此之前, 他曾担任过多个财务主管职位, 如德意志银行区域业务主管、万邦集团财务主管、城市煤气私人有限公司财务总监与瑞克信托管理公司财务总监。

除环球石油有限公司外, 柯先生还是萨姆达拉船务有限公司和Grindrod Shipping Holdings Ltd. 的董事。

柯先生是英格兰及威尔士特许会计师协会的会员, 同时也是特许公认会计师公会的资深会员。



MR TAN WOON HUM

陈恩涵 先生

INDEPENDENT DIRECTOR
独立董事

Chairman, Nominating
Committee 提名委员会主席
Member, Audit Committee
审核委员会成员
Member, Remuneration
Committee 薪酬委员会成员

Mr Tan Woon Hum is our Independent Director appointed on 31 January 2006. He is a partner of Shook Lin & Bok LLP, a Singapore law firm since December 2003.

He graduated from the National University of Singapore with a LLB (Honours) Degree in 1995 and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1996. Mr Tan obtained his MBA (Finance)

from the University of Leicester in 2000. He has been in private legal practice since 1996 and specializes in trust, asset and wealth management. He advises on the establishment of traditional and alternative funds including related licences and exemptions for fund management companies, as well as the establishment and listing of REITS.

陈恩涵先生就任独立董事, 于2006年1月31日被指任为董事。他自2003年12月至今是新加坡旭龄及穆律师事务所的合夥人。

他于1995年从新加坡国立大学毕业, 获得法学学士(荣誉)学位, 1996年任新加坡高庭律师。之后于2000年获得英国莱斯特大学商业金融管理硕士学位。他从1996年起开始从事私人执业律师事务, 专长于信托、资产和财富管理, 也为设立传统和特别基金提供顾问服务, 包括基金管理公司的有关牌照及豁免和房地产投资信托基金的设立及挂牌上市。

BOARD OF DIRECTORS

董事部



MR MAH HOW SOON

马浩顺先生

INDEPENDENT DIRECTOR

独立董事

Member, Audit Committee

审核委员会成员

Member, Nominating

Committee 提名委员会成员

Member, Remuneration

Committee 薪酬委员会成员

Mr Mah was appointed as an Independent Director on 4 January 2021. He is currently the Managing Director of RHT Capital Pte. Ltd. He has had many years of transactional and management experience in corporate finance projects with several financial institutions and boutique advisory firms. He has played a key role in advising companies from many industries and countries on a wide range of transactions relating to both equity capital markets, and mergers and acquisitions.

He is currently an Independent Director of Clearbridge Health Limited. His past directorships include Katrina Group Ltd. and 800 Super Holdings Limited.

Mr Mah graduated with a Bachelor of Accountancy with honours from Nanyang Business School, and a Master of Business Administration from The University of Chicago Booth School of Business. He is a Chartered Accountant (Singapore) and a Chartered Financial Analyst.

马先生于2021年1月4日被指任为独立董事。他目前是瑞信德资本有限公司的董事总经理。他曾在多家金融机构和精品咨询公司任职，并在企业金融项目中拥有多年的交易和管理经验。他在为许多行业和国家的企业提供与股权资本市场以及并购相关的咨询服务中发挥了关键作用。

他目前是明策集团的独立董事。他过去的董事职位包括Katrina Group Ltd. 和八百控股有限公司。

马先生毕业于南洋商学院，获得会计学学士（荣誉）学位，并于芝加哥大学布斯商学院获得了工商管理硕士学位。他是一名特许会计师（新加坡）和一名特许财务分析师。



MR WAN KUM THO

尹金涛先生

INDEPENDENT DIRECTOR

独立董事

Member, Audit Committee

审核委员会成员

Member, Nominating

Committee 提名委员会成员

Member, Remuneration

Committee 薪酬委员会成员

Mr Wan was appointed as an Independent Director on 4 January 2021. He is currently the Managing Director, Investment, APAC of Singtel Innov8 Private Ltd, with venture capital, private equity and operational experience, in corporate finance and restructuring projects.

Currently, an Independent Director of Tat Hong Equipment Service Co. and D'nonce Technology Berhad. He graduated from National University of Singapore with Bachelor of Business Administration (Honours).

尹先生于2021年1月4日被指任为独立董事。他目前是Singtel Innov8 Private Ltd 亚太地区投资董事总经理，具有风险资本，私募股权和运营经验，并参与公司融资和重组项目。

他目前也是Tat Hong Equipment Service Co., Ltd 和D'nonce Technology Berhad 的独立董事。他毕业于新加坡国立大学，获得工商管理学士（荣誉）学位。

KEY EXECUTIVES

子公司主管简介



MR CHANG KWOK WAH 曾觉华 先生

MANAGING DIRECTOR
董事总经理

A.I.M. Chemical Industries Pte Ltd

A.I.M. 化工有限公司

A.I.M. Chemical Industries Pte Ltd was established in 1976. Mr Chang joined in 1983 and appointed as Managing Director since 1992. In 2001, A.I.M. Chemical became the Group's wholly-owned subsidiary. Mr Chang

has continued to serve as Managing Director taking leadership role in business development, sales, finance, production, and general administration for the subsidiary.

He holds a Masters Degree in Business Administration from Brunel University, United Kingdom and Associate Member of Chartered Secretaries, Australia.

A.I.M. 化工有限公司成立于 1976 年。曾先生于 1983 年加入 A.I.M. 服务，1992 年升任该公司董事总经理。2001 年 A.I.M. 成为集团属下全资子公司，曾先生受聘继续担任董事总经理，负责该子公司的领导工作，包括业务发展、销售、财务、生产及行政等。

曾先生拥有英国布鲁耐尔大学的工商管理学硕士学位。他也是澳大利亚特许秘书协会的会员。



MR ALPHONSUS CHUA 蔡福有 先生

MANAGING DIRECTOR
董事总经理

GB Chemicals Pte Ltd
GB 化工有限公司

Mr Chua founded GB Chemicals Pte Ltd in 1996, it was acquired by the Group in 2004. He is responsible for the overall management, planning and daily business activities. He also oversees the business development and key accounts.

He has over 40 years of experience in the specialty chemical industry. He was the Regional Manager for 10 years with Gibson Chemicals, an Australian company.

蔡先生于 1996 年创立 GB 化工有限公司。集团在 2004 年全面收购 GB 化工。蔡先生负责该公司的整体管理、规划及日常业务运作，也负责监督该公司的业务发展和管理主要账目。

蔡先生在化工行业拥有逾 40 年的经验。他曾经担任澳大利亚公司 Gibson 化工的区域经理长达 10 年。



MR LAU TAI CHONG 刘大聪 先生

CHIEF FINANCIAL OFFICER
财务总监

AP Oil International Limited
环球石油有限公司

Mr Lau joined AP Oil International Ltd as Chief Financial Officer in July 2016. He has oversight on financial and management reporting, internal controls, treasury, tax, regulatory compliance, investment projects, financial systems, IT and corporate secretariat.

Mr Lau previously held CFO positions in StatsChipPAC, Abacus International, Praxair Asia; and Financial Controller positions in various MNCs with responsibilities across Asia Pacific. Mr Lau graduated with a Bachelor of Accountancy degree from National University of Singapore and Master of Business Administration from Golden Gate University, San Francisco, USA.

刘先生于 2016 年 7 月加入环球石油有限公司，担任公司的财务总监。他监督财务和管理报告、内部控制、财务、税务、合规、投资项目、金融系统和公司秘书处的职能。

在加入环球石油有限公司之前，刘先生曾在 StatsChipPAC、Abacus International、Praxair Asia（亚洲普莱克斯集团）担任财务总监职务，在亚太地区担任多间跨国公司财务总监职务。刘先生毕业于新加坡国立大学，取得会计学学士学位，且持有美国旧金山金门大学工商管理硕士学位。

REVIEW OF OPERATIONS

营运总结报告



PERFORMANCE BY BUSINESS SEGMENTS

MANUFACTURING

Manufacturing segment accounted for 59.0% or S\$33.7 million of the Group's revenue in FY2020 (FY2019: 52.5%, S\$33.0 million). Manufacturing comprises mainly blending of lubricating oil and specialty chemicals.

For lubricating oil, AP Oil Group operates three blending plants: two wholly owned in Singapore and one in a Vietnam joint venture (AP Saigon Petrol) – these plants produce a wide range of lubricants for automotive, industrial and marine applications. Our lubricants are marketed mainly under the brand name of "AP Oil" and "SIN-O".

For specialty chemicals, these are produced by two of our wholly owned subsidiaries namely A.I.M. Chemical Industries and GB Chemicals.

TRADING

Trading segment covers purchase and sale of raw materials used for lubricants and specialty chemicals manufacturing, namely, base oil, chemicals and finished products purchased from third party.

This segment accounted for 37.0% or S\$21.1 million of the Group's revenue in FY2020 (FY2019: 41.3% or S\$25.9 million). The lower year on year revenue was mainly from lower base oil and finished product sales.

各业务部门业绩结果

制造

2020 财年，制造部门收入占集团收入的 59.0%，达 3,370 万新元（2019 财年数据：52.5%，3,300 万新元）。该部门业务主要由润滑油与特种化学品的制备构成。

润滑油业务方面，集团现经营三家润滑油调配工厂：新加坡有两家全资工厂，越南有一家合资工厂（AP Saigon Petrol）。三家工厂生产各类润滑油产品，供车辆、工业以及船只使用。我们的润滑油产品多以「AP Oil」和「SIN-O」两大品牌营销各地。

特种化学品业务方面，则由两家全资子公司——A.I.M 化工和 GB 化工负责生产。

贸易

贸易活动部门负责处理生产润滑油与特种化学品所用原料的买卖业务，主要分为基础油、化学品和购自第三方的成品。

该部门在 2020 财年录得收入 2,110 万新元，占集团收入的 37.0%（2019 财年资料：41.3%，2,590 万新元）。

REVIEW OF OPERATIONS

营运总结报告

FRANCHISING

Franchising segment recorded revenue of S\$2.3 million or 4.1% of the Group's revenue for FY2020 (FY2019: 6.2%, S\$3.9 million).

Our franchising programs include design of plant and machinery, setting up of laboratory, technology transfer, product formulation, staff training, use of our trademarks, etc. FY2020 revenue comprised mainly sale of raw materials to our franchisees for producing lubricants under our brand name "SIN-O".

PERFORMANCE BY GEOGRAPHICAL MARKETS

AP Oil Group exports a full range of lubricants and specialty chemicals to customers in some 20 countries. Main markets in FY2020 were Singapore, United Arab Emirates (UAE), Indonesia, Myanmar, Sri Lanka and China.

Singapore was the largest market, recording 55.1% of the Group's revenue for FY2020. Sales in Singapore decreased by S\$4.9 million to S\$31.5 million – this includes marine lubricants sold to foreign customers but delivered to vessels calling at the Singapore port, and specialty chemicals sold to Singapore-based multinational companies for export.

Sales to UAE, was the second largest market contributing 17.5% or S\$10.0 million to the Group's revenue in FY2020. This was followed by Indonesia with 3.5% or S\$2.0 million to the Group's revenue in FY2020.

In aggregate, Myanmar, Sri Lanka, China and Vietnam accounted for 11.2% or S\$6.4 million of the Group's revenue in FY2020. Other markets made up the balance of 12.7% or S\$7.3 million of the Group's revenue in FY2020.

特许经营

特许经营部门在 2020 财年录得收入 230 万新元，占集团收入的 4.1%（2019 财年资料：6.2%，390 万新元）。

我们的特许经营内容包括厂房与器械设计、实验室设立、技术转让、产品配方、员工培训、商标使用权等。2020 财年收入主要由向公司特许经营商的「SIN-O」品牌润滑油产品销售生产原料所构成。

各业务地区市场业绩

集团生产的各类润滑油和特种化学品销往约 20 个国家和地区。2020 财年，集团的主要市场为新加坡、阿联酋、印尼、缅甸、斯里兰卡、中国和越南。

新加坡是集团的最大市场，在 2020 财年贡献了 55.1% 的集团收入。在新加坡的销售额减少 490 万新元至 3,150 万新元。其中包括在新加坡港口向外国客户船舶交货的船用润滑油，以及出售给各类跨国企业的新加坡总部以供出口的特种化学品。

我们的第二大市场阿联酋，在 2020 财年的销售额为 1,000 万新元，占集团收入的 17.5%。第三则是印尼，在 2020 财年的销售额为 200 万新元，占集团收入的 3.5%。

缅甸、斯里兰卡、中国和越南四个国家的 2020 财年销售额总计 640 万新元，占集团收入的 11.2%。其它市场在 2020 财年则另外贡献了总计达 730 万新元的销售额，占集团收入的 12.7%。

FINANCIAL CONTENT

CORPORATE GOVERNANCE REPORT	18
STATEMENT BY DIRECTORS	50
INDEPENDENT AUDITOR'S REPORT	54
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	60
STATEMENTS OF FINANCIAL POSITION	61
STATEMENTS OF CHANGES IN EQUITY	62
CONSOLIDATED STATEMENT OF CASH FLOWS	63
NOTES TO THE FINANCIAL STATEMENTS	64

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and its Management set high standards of corporate governance, and are committed to ensure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximize long-term shareholder value.

This report describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2020 ("FY2020").

The Board is pleased to confirm that for FY2020, the Group has adhered to the principles and provision as set out in the Code of Corporate Governance 2018 (the "Code 2018"). Where there are deviations from the Code 2018, appropriate explanation is provided.

A. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: The Company is headed by an effective Board, which is collectively responsible and works with Management for the long-term success of the Company.

Directors are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top, and desired organization culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussion and decisions involving the issue of conflict.

Directors understand the Company's business as well as their directorship duties. The Board decides on matter that require its approval and clearly communicates this to Management in writing. The matters that require Board approval are as follows, these are disclosed in the Company's annual report:

- Strategies and objectives of the Group;
- Announcement of half-year and full year results, and release of annual reports;
- Issuance of securities;
- Declaration of interim dividend and proposed final dividend;
- Convening of shareholders' meetings;
- Material acquisition, investment, divestment or capital expenditure; and
- Corporate or financial restructuring.

The Board will review these matters on a periodic basis to ensure their relevance to the operations of the Group.

The principal function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role is to:

- a) Provide leadership, set aims, policies, strategies and ensuring resources are in place to achieve the objectives of the Company;

CORPORATE GOVERNANCE REPORT

- b) Establish 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;
- c) Review management performance, funding requirements, expansion programs, capital investment and major acquisitions and divestments proposals;
- d) Identify the key stakeholder groups and recognize that their perceptions affect the Company's reputation;
- e) Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- f) Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
- g) Assume responsibility for corporate governance.

All directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company. To assist in the execution of its responsibilities, the Board has delegated responsibilities to specific committees namely, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC"). The Board Committees operate under clearly defined terms of reference setting out their composition, authorities and duties, including reporting back to the Board. All the Board Committees are actively engaged in ensuring good corporate governance in the Company. The Board acknowledges that while these Board Committees have the authority to deal with certain issues and present their findings and decisions to the Board, the ultimate responsibility for these decisions lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members. The key terms of reference and composition of each Board Committee can be found in this report.

A schedule of Board and Board Committee meetings to be held for the calendar year is provided to the Directors. The Board meets at least two times a year. In addition to the scheduled meetings, ah-hoc board briefings, conference calls and physical meetings are held as warranted by particular circumstance or as deemed appropriate by the Board members. The Company's Constitution permits meetings of the Directors to be conducted by telephone or other methods of simultaneous communication by electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

CORPORATE GOVERNANCE REPORT

The attendance of the Directors at meetings of the Board, Board Committees and Annual General Meeting, as well as the frequency of such meetings held during FY2020 are as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Dr Ho Leng Woon	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1	1
Mdm Lau Woon Chan	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1	1
Mr Ho Chee Hon	2	2	2	2	1	1	1	1	1	1
Mr Chang Kwok Wah	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1	1
Mr Tan Woon Hum	2	2	2	2	1	1	1	1	1	1
Mr Quah Ban Huat	2	2	2	2	1	1	1	1	1	1
Mr Mah How Soon (Ma Haoshun) <i>(appointed on 04 January 2021)</i>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr Wan Kum Tho <i>(appointed on 04 January 2021)</i>	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Newly appointed directors undergo an orientation, which include presentation by Management to familiarize on the Group's businesses, operations and strategic directions. The new director will also have the opportunity to visit the Group's operational facilities. The orientation program gives the new director an understanding of the Group's businesses to assimilate into his new role. The Company will also provide a formal letter setting out the duties and obligations of a director.

Directors are provided with continuous briefing and update in areas such as changes in company law, changes in SGX listing rules, corporate governance practices and changes in financial reporting standards, so as to enable them to make well-informed decisions. The details of update, briefing and training program attended by the Directors in FY2020 are as follows:

- the external auditors, RSM Chio Lim LLP, briefed the AC and the Board on the developments in financial reporting and governance standards
- the Chief Executive Officer updated the AC and the Board on business and strategic developments pertaining to the Group's businesses

CORPORATE GOVERNANCE REPORT

Directors are provided with opportunities to develop and maintain their skill and knowledge at the Company's expense. The details of training programs attended by the Directors in FY2020 are as follows:

Director	Training Attended	Date
Mr Quah Ban Huat	SID: Looking Beyond the Veneer of Numbers	16 January 2020
	The Edge: Investing in the time of Covid-19	30 May 2020
	Deloitte: Thriving in a "New Normal"	24 June 2020
	ICAEW: Emotional Resilience for Businesses – in response to Covid-19	2 July 2020
	SID: Global Virtual Roundtable 2: The New Normal for Boards	3 July 2020
	SGX Singapore Governance and Transparency Index Launch	4 August 2020
	Bloomberg Resurrecting the Consumer Economy	11 August 2020
	ISCA: Navigating an Uneven Recovery	29 September 2020
	SGX Investing Strategies in Challenging Times	6 October 2020
	SID Corporate Governance Roundup	17 November 2020
Mr Tan Woon Hum	REITAS – "What you need to know as an Independent Director of a REIT manager"	19 November 2020

All directors are required to declare their board representations. The Board is of the view that the effectiveness of each director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. When a director has multiple board representation, the NC will consider whether the Director is able to adequately discharge his duties as a director of the Company, taking into consideration the Director's number of listed Company board representations and other principal commitments. Acknowledging that a director's ability to commit time to the Group's affairs is essential, the Board has set an internal limit on the maximum number of listed Company board representations which any director may hold. The Board agrees that there should be no more than 4 directorships for a director with full-time employment and 6 directorships for a director with no full-time employment.

Management provides directors with complete, adequate and timely information prior to meetings, and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

Directors have separate and independent access to Management, the Company secretary, and external advisors where concurred by the Chairman at the company's expense. The appointment and removal of the Company secretary is a decision of the Board as a whole.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Company endeavors to maintain a strong and independent element on the Board. As at the date of this report, four out of the eight Board members are independent directors. The Board comprises the following members:

Executive Directors

Dr Ho Leng Woon (Chairman)

Mdm Lau Woon Chan

Mr Ho Chee Hon (Chief Executive Officer)

Mr Chang Kwok Wah

Non-Executive Directors

Mr Quah Ban Huat (Independent)

Mr Tan Woon Hum (Independent)

Mr Mah How Soon (Ma Haoshun) (Independent) appointed on 4 January 2021

Mr Wan Kum Tho (Independent) appointed on 4 January 2021

While the Chairman and the Chief Executive Officer are immediate family members, the Board is of the opinion that based on the Group's current size and operations, it is not necessary to have independent directors make up a majority of the Board.

The Board has examined its size and is of the view that the current board size is appropriate for effective decision-making, taking into account the scope and nature of the operations of the Company and the core competencies and experience of its members.

Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made without any one individual influencing or dominating the decision making process.

In addition, all the Board Committee meetings are chaired by the Independent Directors. Decisions made at these meetings are achieved by majority consensus. Independent Directors make up a majority of all the Board Committees. Management regularly puts up proposals or reports for Board approval, for example, proposals relating to specific proposed transactions or general business direction or strategy of the Group. The Independent Directors evaluate the proposals made by Management and provide guidance on relevant aspects of the Group's business. To institute a progressive renewal of the Board membership, the Nominating Committee commenced the search process to select new independent director(s) in 2020. This was completed with the appointment Mr Mah How Soon (Ma Haoshun) and Mr Wan Kum Tho on 4 January 2021.

CORPORATE GOVERNANCE REPORT

To strengthen the independence of the Board, Mr Quah Ban Huat was appointed as the Lead Independent Director. He is the principal liaison in the event that any issues arise between the Independent Directors and the Executive Directors. He is available to address the concerns of shareholders, employees or other persons in the event that interaction with the Executive Chairman and Chief Executive Officer fail to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code 2018 definition of an “independent” director and guidance on relationships, the existence of which would deem a director not to be independent.

In line with the guidance in the Code 2018, the Board views an independent director as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporation, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the director’s independent judgement in the best interest of the Company.

Each independent director is required to complete a Director’s Independence Form annually to confirm his independence. In FY2020, the NC carried out a review on the independence of each independent non-executive director based on the foregoing consideration, the respective Director’s Independence Form and their actual performance on the Board and Committees. Having carried out their review, the NC is satisfied that the four Directors, who are non-executive, are independent.

The Board recognises that the Independent Directors may over time develop significant insights in the Group’s businesses and operations, and continue to provide noteworthy and valuable contribution to the Board. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, objectivity and not on the number of years which they have served on the Board.

Independent Non-Executive Directors, evaluate the proposals made by Management, and provide appropriate guidance to Management on relevant aspects of the Group’s business. In addition, Independent Non-Executive Directors meet, at least once a year, in the meetings with the external auditors and internal auditors and on such other occasions as may be required.

CORPORATE GOVERNANCE REPORT

As at end of FY2020, Mr Tan Woon Hum and Mr Quah Ban Huat have served on the Board for more than nine years from the date of their first appointment. The Board has subjected their independence to a rigorous review before extending their tenure as directors. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Tan Woon Hum and Mr Quah Ban Huat have demonstrated strong independence of character and judgment over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the shareholders. Mr Tan Woon Hum and Mr Quah Ban Huat do not represent any substantial shareholder of the Company and they are not accustomed or under an obligation whether formal or informal, to act in accordance with the directions, instructions or wishes of any shareholder. They have been objective, frank and candid in expressing their opinions during meetings. They would raise queries, objectively debate and scrutinize issues in the meeting discussion. They will seek clarification, as they deem necessary, including direct access to the Management. They had declared their independence and confirmed they had no relationship with the Company or any of its related corporation which would affect or interfere with the exercise of their judgment.

Taking into account the above, and having weighed the need for the Board's refresh against tenure for relative benefit, the Board is satisfied that Mr Tan Woon Hum and Mr Quah Ban Huat have and will continue to exercise independent business judgment with the view to the best interests of the Company, notwithstanding the length of tenure of their service.

In view of the SGX Listing Rule 210(5)(d)(iii) which will be effective from 1 January 2022, requiring the re-appointment of directors who have served beyond nine years from the date of their first appointment, to be subjected to a two-tier shareholders voting, the directorship renewal process was completed. On 4 January 2021, Mr Mah How Soon (Ma Haoshun) and Mr Wan Kum Tho were appointed as the Independent Directors of the Company. Mr Tan Woon Hum, scheduled for retirement at the forthcoming AGM, will not seek re-election. Mr Quah Ban Huat will be stepping down from the Board after the AGM.

Taking into account the impending retirement and resignation of the two independent directors, the Board is of the opinion that its size of six Board members is both effective and efficient. The Board's structure, size and composition is reviewed annually by the NC who is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, to facilitate effective decision making. Details of the Board members' qualifications and experience are presented in pages 10 to 13 of this Annual Report.

Having considered the specialization and expertise of each director, the NC is satisfied that the Board has an appropriate mix of expertise, experience and gender, and collectively possesses a range of competencies in legal, finance, business management and the requisite industry knowledge to lead the Company effectively and avoid group think and foster constructive debate. The Company considers that the Board's composition of independent directors does provide effective contribution to the Board with a mix of knowledge and business contacts, including a broad in-depth business and commercial experience. This balance is particularly important to ensure that the strategies proposed by Management are fully examined and take into account the long-term interests of the Company.

Independent directors meet periodically without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management. No one individual has unfettered powers of decision making.

The Chairman and Chief Executive Officer of the Company are separate individuals but are however, immediate family members. The Chief Executive Officer of the Company, Mr Ho Chee Hon, is the son of Dr Ho Leng Woon, Chairman of the Company.

All major proposals and decisions are discussed and reviewed by the Board. The Chairman and Chief Executive Officer's performance and appointment to the Board is reviewed by the NC and their remuneration packages are reviewed by the RC. The AC, NC and RC consist of a majority of independent directors. The Board believes that there are sufficient strong and independent elements and safeguards in place against an uneven concentration of power and authority.

The Board sets out the division of responsibilities between the Chairman and the Chief Executive Officer.

The roles of the Chairman and Chief Executive Officer are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company.

The Chief Executive Officer, Mr Ho Chee Hon, has full executive responsibilities of the overall business and operational decisions of the Company.

As Chairman of the Board, Dr Ho Leng Woon is responsible for leading the Board. The Chairman's duties and responsibilities include:

- a) Leading the Board to ensure it is effective in its role;
- b) Setting direction and agenda for the Company to enable the Board to perform its duties responsibly;
- c) Ensuring the proper conduct of meetings and accurate documentation of the proceedings;
- d) Ensuring the smooth and timely flow of information between the Board and Management;
- e) Ensuring compliance with internal policies and guidelines of the Company and high standards of corporate governance;
- f) Ensuring effective communication with shareholders through investors' relationship channels and timely announcements of Company's development; and
- g) Encouraging constructive relations between the Board and Management as well as between all directors.

The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, the lead independent director is available to shareholders where they have concerns.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors to the Board, taking into account the need for progressive renewal of the Board.

The Nominating Committee ("NC") is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments. The NC comprises the following three members, majority of whom, including the Chairman, are independent directors:

Mr Tan Woon Hum (Chairman)
Mr Quah Ban Huat (Member)
Mr Ho Chee Hon (Member)
Mr Mah How Soon (Ma Haoshun) (Member)
Mr Wan Kum Tho (Member)

The NC has adopted written terms of reference defining its membership, administration and duties that include:

- a) to make recommendations on all Board appointments, including development of a set of criteria for director appointments, which includes qualifications of directors; ability to exercise sound business judgment, relevance to the Company and the industry and appropriate personal qualities;
- b) to re-nominate directors having regard to the director's contribution and performance (e.g. attendance, participation and critical assessment of issues deliberated upon by the Board) and/or replacement of the Chairman, the CEO and key management personnel.
- c) to determine annually whether or not a director is independent;
- d) to decide how the Board's performance may be evaluated and propose objective performance criteria, such as return on equity, revenue and profit growth, as well as making comparison with industry peers to the Board;
- e) to review training and professional development programs for the Board and its directors; and
- f) To review the appointment of key management personnel, including the appointment criteria, which includes qualification, managerial competencies, proven track record, relevance to the Company and the industry and appropriate personal attributes.

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for directors and the Chief Executive Officer to ensure the progressive and orderly renewal of Board membership. As part of the Group's succession planning, Dr Ho Leng Woon relinquished his position as the Chief Executive Officer on 1 May 2015. Mr Ho Chee Hon assumed the role of Group Chief Executive Officer.

CORPORATE GOVERNANCE REPORT

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of new directors. The search and nomination process will be through search companies, contacts and recommendations. The NC will review and assess candidates before making recommendation to the Board. In recommending new directors to the Board, the NC takes into consideration the individual's qualification, skills, calibre and experience required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability. The NC will seek to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The role of NC also includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence, contribution and performance. The Constitution of the Company currently requires one-third of the directors to retire and subject themselves to re-election by the shareholders in every annual general meeting. All directors of the Company shall retire from office at least once every three years. The Constitution of the Company also provides that a newly appointed director must retire and submit himself for re-election at the next annual general meeting following his appointment. Thereafter, he is to be re-elected at least once every three years. A director who is due for retirement shall abstain from voting on any resolution for re-nomination as a director.

Pursuant to the one-third rotation rule, Mr Tan Woon Hum ("Mr Tan") will retire as a director at the forthcoming AGM and he will not be seeking for re-election. Mr Chang Kwok Wah ("Mr Chang") will be seeking for re-election under Regulation 107 of the Company's Constitution, and Mr Mah How Soon (Ma Haoshun) ("Mr Mah") and Mr Wan Kum Tho ("Mr Wan") will be seeking for re-election under Regulation 117 of the Company's Constitution at the forthcoming AGM.

The NC is satisfied that the directors retiring in accordance with the Company's Constitution at the forthcoming AGM are qualified for re-appointment by virtue of their skills, experience and their contribution to Board affairs. The NC has recommended and the Board has agreed for Mr Chang, Mr Mah and Mr Wan to retire and seek for re-election at the forthcoming AGM.

The Board recognises the contribution of its independent directors who over time, have developed insight into the Group's businesses and operations and are therefore able to provide invaluable contributions to the Group. As such, the Board has decided not to set a fixed term of office for its independent directors.

The NC ensures that new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to the Group.

As at the date of this Report, the Company does not have any alternate director.

CORPORATE GOVERNANCE REPORT

Details of the Board members' directorship, including the year of initial appointment and election are disclosed below:

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election	Present Directorship/ Chairmanship in other Listed Companies (as at 1 April 2021)	Previous Directorship/ Chairmanship in other Listed Companies (FY2018 to FY2020)
Dr Ho Leng Woon	Executive	2 January 1982	26 April 2019	–	–
Mdm Lau Woon Chan	Executive	7 March 1983	26 April 2019	–	–
Mr Ho Chee Hon	Executive	1 July 2009	29 June 2020	–	–
Mr Chang Kwok Wah	Executive	25 February 2004	26 April 2018	–	–
Mr Tan Woon Hum	Independent	31 January 2006	26 April 2018	<u>Listed Companies</u> Ezion Holdings Limited – Independent Director, Chairman of the Audit Committee YTL Starhill Global Reit Management Limited – Independent Director	–

CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election	Present Directorship/ Chairmanship in other Listed Companies (as at 1 April 2021)	Previous Directorship/ Chairmanship in other Listed Companies (FY2018 to FY2020)
Mr Quah Ban Huat	Independent	1 November 2010	29 June 2020	<u>Listed Company</u> Samudera Shipping Line Ltd – Lead Independent Director, Chairman of the Audit Committee	<u>Listed Companies</u> Samudera Shipping Line Ltd – Chairman of the Remuneration Committee mDR Limited – Lead Independent Director, Chairman of the Remuneration and Nominating Committees <u>Listed REITS/Trusts</u> Croesus Retail Asset Management Pte Ltd, Trustee-manager of Croesus Retail Trust – Independent Director
Mr Mah How Soon (Ma Haoshun)	Independent	04 January 2021	–	<u>Listed Company</u> Clearbridge Health Limited – Independent Director	<u>Listed Companies</u> 800 Super Holdings Limited – Independent Director Katrina Group Limited – Independent Director
Mr Wan Kum Tho	Independent	04 January 2021	–	<u>Listed Companies</u> Tat Hong Equipment Service Co., Ltd. – Independent Director D’nonce Technology Bhd – Independent Director	<u>Listed Company</u> D’nonce Technology Bhd – Independent Director

Apart from the foregoing, further information on each director are set out on page 10 to 13 of this Annual Report. In addition, information on shareholding held by each director in the Company and its related corporations is found on page 128 of this Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole, and that each of its Board committees and individual directors.

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes to different aspects of the Group, it would therefore be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and each director has been adequately contributing to the overall effectiveness and objectives of the Board.

The NC has adopted a process for assessing the performance of the Board as a whole. The performance appraisal includes qualitative and quantitative factors including board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, degree of compliance with the code of corporate governance, transparency in terms of disclosures and communication with shareholders.

The Board is of the opinion that the performance criteria should be geared toward evaluating the Board's performance in discharging its principal responsibilities, upholding high standards of corporate governance and strategic oversight of the Company's business rather than the specific performance of its share price and other financial indicators.

The NC will at the relevant time look into adopting guidelines for annual assessment of the contribution of each individual director to the effectiveness of the Board and also the assessment of Board committees. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

For FY2020, the following process was undertaken in relation to the evaluation of the performance of the Board as a whole:

a) Evaluation process

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist.

The results of such assessment and evaluation were collated by the corporate secretarial agent; and reviewed by the NC.

b) Determining directors' independence

Each independent director is required to complete a Director's Independence Form annually to confirm his independence. The form is drawn up based on the guideline provided in the Code. The NC has reviewed and is satisfied with the independence of the independent directors as mentioned in relation to Principle 2 above.

CORPORATE GOVERNANCE REPORT

c) Commitments of directors sitting on multiple boards

The Board has set an internal limit on the maximum number of listed company board representations which any Director may hold. The Board agrees that there should be no more than 4 directorships for a director with full-time employment and 6 directorships for a director with no full-time employment, as mentioned in relation to Principle 1 above. For FY2020, no director had exceeded such limit.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on directors and executive remuneration, and for fixing the remuneration packages of individual directors. No director is involved in deciding his or her own remuneration.

The Board establishes the Remuneration Committee ("RC") for the purpose of ensuring that there is a formal and transparent process for developing policy and fixing the remuneration packages of individual directors. The RC comprises of following five members, majority of whom, including the Chairman, are independent directors:

Mr Quah Ban Huat (Chairman)
 Mr Tan Woon Hum (Member)
 Mr Ho Chee Hon (Member)
 Mr Mah How Soon (Ma Haoshun) (Member)
 Mr Wan Kum Tho (Member)

The Board recognises that the composition of the RC is not in accordance with the Code's guidelines that RC should comprise of totally independent directors. However, the Board is of the view that the membership of Mr Ho Chee Hon is necessary to facilitate a more effective discussion on the remuneration packages of the Group's key executives. Apart from Mr Ho Chee Hon, the other four members (including Chairman) are independent directors. The presence of a strong independent element ensures that no individual has unfettered powers of decision.

The RC has adopted written terms of reference defining its membership, administration and duties. The duties of the RC are as follows:

- a) to review and recommend to the Board in consultation with senior management a framework of remuneration for the Executive Directors, Chief Executive Officer and key management personnel; and
- b) to recommend to the Board the Executive's and Employees' Share Option Schemes or any long term incentive scheme.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company; and disclosed in the Company's annual report 2020.

CORPORATE GOVERNANCE REPORT

The RC will also review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

No director shall participate in decisions relating to any remuneration, compensation or any form of benefits to be granted to him or her.

Level and Mix of Remuneration

Principle 7: The level of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

The Company has approved the remuneration framework for the Executive Directors and Chief Executive Officer on recommendation by the RC. The remuneration of the Executive Directors and Chief Executive Officer is structured to link rewards to corporate and individual performance. The remuneration of the Executive Directors and Chief Executive Officer consists of a fixed component and a variable component that is performance related. The framework will cover basic salary, bonus and benefit in kind. In developing the framework, the RC has taken into consideration factors such as the Company's performance, economic conditions, market practices and the contribution to the Company.

The RC has adopted a framework to remunerate the Non-Executive Directors based on their appointments, roles in respective committees and contributions to the Board and Company. The remuneration packages of the Non-Executive Directors comprise a basic director retainer fee and additional fee for appointment to Board Committees. While the remuneration framework of the executive director is not subject to shareholders' approval, the directors' fees for the Non-Executive Directors is subject to the approval of shareholders at the annual general meeting.

The Company currently does not have any long-term schemes for executive directors and key management personnel.

The RC has reviewed the level and structure of remuneration of key management personnel as appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration and the relationship between remuneration, performance and value creation.

Details of the remuneration of directors and key management personnel for the year under review are reported below. During the year, there was no termination, retirement or post-employment benefits granted to any director or key management personnel.

CORPORATE GOVERNANCE REPORT

The Board believes that it is for the benefit of the Company that the actual remuneration of the Directors be kept confidential, due to the sensitive nature of such information.

The Company had entered into separate service agreement with each of the Executive Directors on a fixed term. The agreements are renewable upon expiry with mutual consent of the parties.

Remuneration band (S\$)	Director	Salary including CPF (%)	Bonus Profit Sharing* (%)	Fees (%)	Benefit in Kind (%)
400,000 to below 500,000	Mr Ho Chee Hon	65.9	29.2	–	4.9
300,000 to below 400,000	Dr Ho Leng Woon	62.9	32.1	–	5.0
200,000 to below 300,000	Mr Chang Kwok Wah	88.4	6.6	–	5.0
200,000 to below 300,000	Mdm Lau Woon Chan	56.2	43.8	–	–
Below 100,000	Mr Tan Woon Hum	–	–	100	–
	Mr Quah Ban Huat	–	–	100	–

* Includes incentive payment for financial year 2019 performance.

The top five key management personnel's remuneration for FY2020 is disclosed in the table below:

Remuneration band (S\$)	Number of key management personnel
200,000 to below 300,000	3
100,000 to below 200,000	1
0 to below 100,000	1

The remuneration received by the Executive Directors and key management personnel takes into consideration, the individual's performance and contribution towards the overall performance of the Group for FY2020. Their remuneration is made up of fixed and variable compensation. The fixed compensation consists of a monthly basic salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the achievement of corporate and individual performance objectives. For FY2020, the agreed corporate performance objectives of the Executive Directors and key management personnel were not met.

CORPORATE GOVERNANCE REPORT

The Company does not have any long-term incentive schemes for the directors and key management personnel. Mr Ho Chee Hon, a substantial shareholder of the company, is the Chief Executive Officer and the son of the Chairman, Dr Ho Leng Woon and the Executive Director, Mdm Lau Woon Chan. Apart from Mr Ho, there was no other employee who is an immediate family member of a director, the Chief Executive Officer or a substantial shareholder, and whose remuneration was over S\$100,000 for FY2020.

In considering disclosure of remuneration of the top 5 key management personnel, the Company has regarded the industry conditions in which the company operates as well as the confidential nature of such remuneration. The Company believes that detailed disclosure of the remuneration of each key management personnel on a name basis as recommended by the Code 2018 would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Company's talent pool. The aggregate remuneration paid to the top 5 key management personnel of the Group was S\$983,000 for FY2020.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

C. ACCOUNTABILITY AND AUDIT

Accountability

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interest of the company and its shareholders.

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The Board is assisted by the Risk Management Committee ("RMC") which was formed, as part of the Group's efforts to strengthen its risk management processes and framework. The RMC has done up a documentation on the Group's risk profile which summarizes the material risks faced by the Group, the appropriate risk tolerance limits set for the respective risks and the countermeasures in place to manage or mitigate those risks. On an annual basis, the RMC will review the key risks identified, considered the relevance of these risks, identify new risks which may arise and assess the internal controls in place to mitigate such risks. RMC will report to the Board and the Board members will then evaluate and provide their feedback to the RMC.

For FY2020, the Board has received assurances from the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. For FY2020, the Board has received assurance from the managing directors of the Company's subsidiaries, namely, A.I.M. Chemical and GB Chemicals, regarding the adequacy and effectiveness of the company's risk management and internal control system.

CORPORATE GOVERNANCE REPORT

Based on the internal control policies and procedures established and maintained by the Group, work performed by the external and internal auditors, as well as review performed by the RMC, the Board, with the concurrence of the AC, is of the opinion that the internal controls and risk management systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2020.

Audit Committee

Principle 10: The Board has an Audit Committee (“AC”) with written terms of reference which discharges its duties objectively.

As of the date of this Report, the AC comprises the following five members, majority of whom, including the Chairman, are independent directors:–

Mr Quah Ban Huat (Chairman)
 Mr Tan Woon Hum (Member)
 Mr Ho Chee Hon (Member)
 Mr Mah How Soon (Ma Haoshun) (Member)
 Mr Wan Kum Tho (Member)

The profile of each member of the AC is set out on pages 11 to 13 of this report. Mr Quah Ban Huat, Chairman of the AC, has many years of experience in finance and accounting. Other members of the AC possess experience in legal, finance, accounting and business management. The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities. None of the members of the Audit Committee is a former partner or director of the Company’s external or internal auditors.

The Board recognises that the composition of the AC is not in accordance with the Code 2018 guidelines that the AC should comprise of entirely independent directors. However, for the same reasons stated under Principle 6 of this report, the Board is of the view that independence is not compromised, as majority of the members of the AC are independent.

As a sub-committee of the Board of Directors, AC assist the Board in discharging their responsibility to safeguard the Group’s assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in the Group. The AC also reviews and supervises the internal audit functions of the Group.

AC provides a channel of communication between the Board, Management and the external auditors on matters relating to audit.

AC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the AC include:

- a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company’s financial performance;

CORPORATE GOVERNANCE REPORT

- b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and
- f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy it that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. A breakdown of the fees in total for audit and non-audit services is set out in the Notes to the Financial Statement on page 126 of this annual report. The AC is satisfied with their independence and has recommended the re-appointment of the external auditors at the forthcoming Annual General Meeting of the Company.

The primary reporting line of the internal audit ("IA") function is to the AC, which also decides on the appointment, termination, and remuneration of the IA function. This function, independent and adequately resourced, has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

The AC meets with the internal auditors and the external auditors, at least once a year, without the presence of Management, to have free and unfettered access to unfiltered information and feedback.

In the event that any Director has a personal material interest in any contract or proposed contract or arrangement, he will abstain from reviewing that particular transaction or voting on the particular resolution.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

In FY2020, the AC has reviewed with the Management and the external auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The AC also reviewed the Group's financial condition, internal and external audit reports.

CORPORATE GOVERNANCE REPORT

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might have material impact to the financial statements. The following significant matters that may have material impact to the financial statements were discussed with Management and the external auditors; and were reviewed by the AC:

Significant Matters	AC Review
Valuation of investment in equity interests of an unquoted entity	<p>The AC considered the approach and methodology applied in determining the fair value of the investment in equity interest of an unquoted entity.</p> <p>The AC reviewed Management's assessment and considered the appropriateness of valuation methodologies adopted and reasonableness of assumptions applied by the external valuer.</p> <p>The valuation of the unquoted investment was an area of focus for the external auditor. This item has been included as a key audit matter in the independent auditor's report for the year ended 31 December 2020.</p>
Accounting for leases	<p>The Group leases a number of properties and, from 1 January 2019, it adopted SFRS(I) 16 Leases, which provides a single accounting model for lessees.</p> <p>The AC reviewed Management's assessment of the respective lease agreements of the Group and evaluated whether they had been accounted for in accordance with SFRS(I) 16, including the underlying key assumptions used, such as the lease terms and discount rates.</p> <p>The accounting for leases was also an area of focus for the external auditors. This item has been included as a key audit matter in the independent auditor's report for the year ended 31 December 2020.</p>

The AC is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any.

CORPORATE GOVERNANCE REPORT

The Company has also put in place a whistle-blowing policy and implemented procedures and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the AC. All complaints or concerns raised will be dealt with, including anonymous complaints. The action taken will depend on the nature of the complaint. Initial enquiries will be made to determine whether an investigation is appropriate, and the form that it should take. If necessary, the AC will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policies and arrangements have been made available to all employees. Members of the public can also refer to the Company's website for the whistle-blowing arrangements. During FY2020, there were no complaints, concerns or issues received.

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably, to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing meetings of shareholders.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the Company explains the reasons and material implications in the notice of meeting.

All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation of the auditors' report. Directors' attendance at such meetings held is disclosed in Principle 1 of this report.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's website.

The Board is of the view that absentia voting at the general meeting, can only be carried out, after careful study, to ensure the integrity of the information received by the Company and to authenticate the identity of shareholders in attendance on the web.

The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses by the Board and Management.

The Company does not have a fixed dividend policy. The frequency and quantum of dividend declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board of Directors has proposed a final tax exempt (one-tier) dividend of 0.50 cent per ordinary share for FY2020.

CORPORATE GOVERNANCE REPORT

The Company's corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET and the Company's website, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements, press releases via SGXNET, the Company's website as well as through reports and circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogue to allow shareholders to communicate their views of various matters affecting the company.

The Company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders at the Company's general meetings.

The Company's investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the company may respond to such questions.

The Company endeavors to communicate regularly, effectively and fairly with its shareholders. Timely, as well as, detailed disclosure is made to the public in compliance with SGX-ST guidelines. The Company does not practice selective disclosure. All price sensitive information is announced on the SGXNET on a timely basis.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

CORPORATE GOVERNANCE REPORT

Shareholders are encouraged to attend and raise questions to the directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to express their views and raise issues either formally or informally. These meetings provide opportunities for the Board to engage with shareholders and solicit their feedback. The Company's website at www.apoil.com.sg is another channel to understand the views of the shareholders.

Engagement with stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

The Company maintains a current corporate website to communicate and engage with stakeholders.

D. DEALINGS IN SECURITIES

The Company has adopted internal codes applicable to all officers in relation to dealings in the Company's securities. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing one month before the announcement of the Company's half-yearly and full year financial results and the prohibition ends on the day of the announcement of such results.
- Directors and key officers should not deal in the Company's securities on short-term consideration.
- Directors and key officers are required to observe the insider trading laws under the Securities Industries Act at all times even when engaging in dealings of securities within the non-prohibitory periods. To monitor such share transactions, Directors and key officers are to report to the Company when they deal in the Company's securities.

E. INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transactions with interested persons and set out the procedures for review and approval of the Company's interested person transactions. The main objective is to ensure that all interested person transactions are conducted on arm's length basis and on normal commercial terms.

CORPORATE GOVERNANCE REPORT

The AC has reviewed all interested person transactions for the financial year ended 31 December 2020, and satisfied there was no interested person transaction entered into by the Group in excess of S\$100,000 during the financial year.

F. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms there was no material contract entered into between the Company and its subsidiaries which involved the interests of any director or controlling shareholder, either subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

G. AUDITORS

The Company has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

H. ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information as set out in Appendix 7.4.1 to the SGX-ST Listing Manual relating to Mr Mah How Soon (Ma Haoshun), Mr Wan Kum Tho and Mr Chang Kwok Wah, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
Date of Appointment	04 January 2021	04 January 2021	25 February 2004
Date of last re-appointment (if applicable)	NA	NA	26 April 2018
Age	47	54	69
Country of principal Residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The NC has recommended and the Board has agreed for Mr Mah How Soon (Ma Haoshun) to retire and seek re-election at the forthcoming AGM.	The NC has recommended and the Board has agreed for Mr Wan Kum Tho to retire and seek re-election at the forthcoming AGM.	The NC has recommended and the Board has agreed for Mr Chang Kwok Wah to retire and seek re-election at the forthcoming AGM.
Whether appointment is executive, and if so, the area of responsibility	Independent and Non-Executive	Independent and Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> Independent Director Member, Audit Committee Member, Remuneration Committee Member, Nominating Committee 	<ul style="list-style-type: none"> Independent Director Member, Audit Committee Member, Remuneration Committee Member, Nominating Committee 	<ul style="list-style-type: none"> Director

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
Professional Qualifications	<p>Bachelor of Accountancy (Honours), Nanyang Business School</p> <p>MBA, The University of Chicago Booth School of Business</p> <p>Chartered Accountant, Member of the Institute of Singapore Chartered Accountants</p> <p>Chartered Financial Analyst Charterholder, Member of the CFA Institute</p>	<p>Bachelor of Business Administration (Second Class Honours, Upper Division), National University of Singapore</p> <p>Executive Program, University of California, Berkeley, 2002</p>	<p>MBA, Brunel University, UK</p> <p>Associate member, Institute of Chartered Secretaries, Australia</p>
Working experience and occupation(s) during the past 10 years	<p>2016-Present: Managing Director, Board member – RHT Capital Pte. Ltd.</p> <p>2013-2016: Senior Director, Corporate Finance – PrimePartners Corporate Finance Pte. Ltd.</p> <p>2010-2012: Director, Corporate Finance – PrimePartners Corporate Finance Pte. Ltd.</p>	<p>July 2020 – present: Managing Director, Investments, APAC – Singtel Innov8 Private Ltd</p> <p>July 2020 present: Adjunct Associate Professor, National University of Singapore Business School</p>	<p>2011 – present: Managing Director, A.I.M. Chemical</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
		<p>April 2014 – Dec 2019: Heliconia Capital Management – Director (Investment), Deputy Head of Investments</p> <p>July 2010 – Mar 2014: Executive Director (Investment) UOB Venture Management</p> <p>Mar 2009 – June 2010: Vice President, Strategic Planning & Administration – EEMS Asia Pte. Ltd.</p>	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
<p>Other Principal Commitments including Directorships</p> <ul style="list-style-type: none"> • Past (for the last 5 years) • Present 	<p><u>Directorships</u></p> <p>800 Super Holdings Limited</p> <p>Katrina Group Ltd.</p> <p><u>Directorships</u></p> <p>RHT Capital Pte. Ltd.</p> <p>Clearbridge Health Limited</p>	<p><u>Directorships</u></p> <p><u>Directorships</u></p> <p>D'nonce Technology Bhd.</p> <p>Tat Hong Equipment Service Co., Ltd.</p>	<p><u>Directorships</u></p> <p>A.I.M. Chemical</p> <p><u>Directorships</u></p> <p>A.I.M. Chemical</p>
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</p>			
<p>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	<p>Nil</p>	<p>Nil</p>	<p>Nil</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	Nil	Nil	Nil
(c) Whether there is any unsatisfied judgment against him?	Nil	Nil	Nil
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	Nil	Nil	Nil
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	Nil	Nil	Nil
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	Nil	Nil	Nil
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	Nil	Nil	Nil
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Mr Mah How Soon (Ma Haoshun)	Mr Wan Kum Tho	Mr Chang Kwok Wah
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Nil	Nil	Nil
<p>Any prior experience as a director of a listed Company?</p> <p><i>If yes, please provide details of prior experience.</i></p> <p><i>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</i></p>	<p>Yes.</p> <p>Mr Mah How Soon (Ma Haoshun) is currently an independent director of the following listed Companies on the SGX-ST:–</p> <ul style="list-style-type: none"> – AP Oil International Limited – Clearbridge Health Limited 	<p>Yes.</p> <p>Mr Wan Kum Tho is currently an independent director of the following listed Companies:–</p> <ul style="list-style-type: none"> – AP Oil International Limited, listed on SGX-ST – Tat Hong Equipment Service Co., Ltd listed on HKEX – D'nonce Technology Bhd, listed on KLSE 	<p>Yes.</p> <p>Mr Chang Kwok Wah is currently the Executive Director of the Company, which is listed on the SGX-ST.</p>

STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of AP Oil International Limited (the “Company”) and its subsidiaries (the “Group”), and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) At the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

2. Directors

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

Executive directors

Dr Ho Leng Woon

Mdm Lau Woon Chan

Mr Ho Chee Hon

Mr Chang Kwok Wah

Independent and non-executive directors

Mr Quah Ban Huat

Mr Tan Woon Hum

Mr Ma How Soon @ Ma Haoshun

(Appointed on 4 January 2021)

Mr Wan Kum Tho

(Appointed on 4 January 2021)

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year had no interests in the share capital of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

<u>Name of Director</u>	Direct interests	
	<u>At beginning of reporting year</u>	<u>At end of reporting year</u>
<u>The Company</u>	<u>Number of shares of no par value</u>	
Dr Ho Leng Woon	61,406,250	61,406,250
Mdm Lau Woon Chan	17,531,250	17,531,250
Mr Ho Chee Hon	11,468,937	11,468,937
Mr Chang Kwok Wah	41,250	41,250

By virtue of section 7 of the Act, Dr Ho Leng Woon and Mdm Lau Woon Chan are deemed to have an interest in each other's direct interest in the Company and in all the related corporations of the Company.

The directors' interests as at 21 January 2021 were the same as those at the end of the reporting year.

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

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

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

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

At the end of the reporting year, there were no unissued shares under option.

STATEMENT BY DIRECTORS

6. Audit committee

The members of the audit committee at the date of this report are as follows:

- Mr Quah Ban Huat (Chairman of audit committee and independent director)
- Mr Tan Woon Hum (Independent director)
- Mr Ho Chee Hon (Executive director)
- Mr Ma How Soon @ Ma Haoshun (Independent director)
- Mr Wan Kum Tho (Independent director)

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

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by Management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by Management to them;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence are safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

STATEMENT BY DIRECTORS

7. Independent auditor

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

On behalf of the directors



.....
Dr Ho Leng Woon
Director



.....
Mr Ho Chee Hon
Director

1 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of AP Oil International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information, as set out on pages 60 to 127.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Key audit matters (Continued)

(a) Valuation of investment in equity interests of an unquoted entity

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, note 18 on other financial assets, and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

The Company holds a 12.5% equity interests in Chongqing Zongshen Financial Leasing (the "Investment") and as part of the investment arrangement, the Company was also granted an option by the major shareholder of the Investment whereby the Company has the right to sell to the major shareholder its equity interests in Chongqing Zongshen Financial Leasing (the "Option"). The exercise price of the Option shall be based on the higher of the Company's original capital contribution of approximately \$5,179,000 and the agreed market value at the time of exercise of the Option.

The Company accounted for the Investment and the Option together as a hybrid instrument measured at fair value through profit or loss. To this end, management has engaged an external valuer to perform an independent valuation of this financial asset as at 31 December 2020.

The fair value was determined based on the adjusted net assets approach. As Chongqing Zongshen Financial Leasing is an unquoted entity, the valuation involved significant management judgements. Accordingly, it is considered as a key audit matter.

As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity. Together with our internal valuation specialists, we assessed the appropriateness of the valuation methodology adopted and the reasonableness of assumptions applied. We also assessed the adjustments to the net assets, if any, and undertook further procedures by cross-checking the fair value against other valuation approaches to determine whether it is within acceptable range and, where necessary, held further discussions with management and the external valuer.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Key audit matters (Continued)

(b) Accounting for leases

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, note 14 on right-of-use assets, note 26 on lease liabilities, and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

The Group leases a number of properties which are accounted for in accordance with SFRS(I) 16 *Leases*. Significant judgements are involved in establishing the underlying key assumptions to derive the value of the right-of-use assets and the related lease liabilities.

We have evaluated the Group's application of SFRS(I) 16 and the measurement of the resulting right-of-use assets and lease liabilities. In doing so, we have reviewed the respective lease agreements of the Group and assessed whether management had accounted for these leases in accordance with SFRS(I) 16. In particular, we have assessed the discount rates and the reasonableness of the assumptions in relation to the lease terms, taking into consideration the requirements of the conditional offer made to the Group for the extension of lease terms.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Eu Chee Wei David.



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

1 April 2021

Engagement partner – effective from year ended 31 December 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	12,571	12,707	326	379
Right-of-use assets	14	5,526	3,610	1,304	1,393
Goodwill	15	409	409	–	–
Investments in subsidiaries	16	–	–	17,533	18,052
Investments in joint ventures	17	2,570	2,383	506	515
Deferred tax assets	10	3	45	–	–
Other financial assets	18	5,730	5,807	5,730	5,807
Other assets	19	197	630	–	–
Total non-current assets		27,006	25,591	25,399	26,146
Current assets					
Inventories	20	8,244	7,927	–	–
Trade and other receivables	21	4,980	8,038	8,689	2,335
Other assets	19	488	347	19	17
Cash and cash equivalents	22	35,735	33,621	8,200	15,084
Total current assets		49,447	49,933	16,908	17,436
Total assets		76,453	75,524	42,307	43,582
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	6,606	6,606	6,606	6,606
Retained earnings		46,505	45,586	34,185	34,410
Other reserves	24	3,239	3,872	(1,767)	(1,079)
Total equity		56,350	56,064	39,024	39,937
Non-current liabilities					
Deferred tax liabilities	10	580	244	–	54
Loans and borrowings	25	5,320	5,140	–	–
Lease liabilities	26	5,328	3,278	1,325	1,377
Total non-current liabilities		11,228	8,662	1,325	1,431
Current liabilities					
Income tax payable		274	371	–	–
Loans and borrowings	25	879	1,009	–	–
Lease liabilities	26	358	400	52	50
Trade and other payables	27	7,364	9,018	1,906	2,164
Total current liabilities		8,875	10,798	1,958	2,214
Total liabilities		20,103	19,460	3,283	3,645
Total equity and liabilities		76,453	75,524	42,307	43,582

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

<u>Group</u>	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Retained earnings	Other reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current year						
At 1 January 2020	6,606	45,586	3,872	56,064	–	56,064
Changes in equity						
Total comprehensive income for the year	–	2,153	(633)	1,520	–	1,520
Dividend paid (note 12)	–	(1,234)	–	(1,234)	–	(1,234)
At 31 December 2020	6,606	46,505	3,239	56,350	–	56,350
Previous year						
At 1 January 2019	6,606	44,061	4,526	55,193	(29)	55,164
Changes in equity						
Total comprehensive income for the year	–	2,348	(639)	1,709	–	1,709
Dividend paid (note 12)	–	(823)	–	(823)	–	(823)
Disposal of subsidiary (note 16)	–	–	(15)	(15)	29	14
At 31 December 2019	6,606	45,586	3,872	56,064	–	56,064
<u>Company</u>						
	Share capital	Retained earnings	Other reserves	Total equity		
	\$'000	\$'000	\$'000	\$'000		
Current year						
At 1 January 2020	6,606	34,410	(1,079)	39,937		
Changes in equity						
Total comprehensive income for the year	–	1,009	(688)	321		
Dividend paid (note 12)	–	(1,234)	–	(1,234)		
At 31 December 2020	6,606	34,185	(1,767)	39,024		
Previous year						
At 1 January 2019	6,606	33,696	(587)	39,715		
Changes in equity						
Total comprehensive income for the year	–	1,537	(492)	1,045		
Dividend paid (note 12)	–	(823)	–	(823)		
At 31 December 2019	6,606	34,410	(1,079)	39,937		

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 \$'000	2019 \$'000
<u>Cash flows from operating activities</u>		
Profit before tax	2,510	2,800
Adjustments for:		
Interest income	(363)	(574)
Interest expense	98	–
Interest income from insurance policy	(37)	(114)
Insurance premium charged to profit or loss	8	8
Dividend income	(295)	(166)
Depreciation of property, plant and equipment	1,261	1,035
Depreciation of right-of-use assets	414	416
Share of results of equity-accounted joint ventures, net of tax	(324)	(265)
Property, plant and equipment written off	3	–
Gain on disposal of property, plant and equipment	(14)	(47)
Operating cash flows before changes in working capital	3,261	3,093
Inventories	(459)	(3,515)
Trade and other receivables	2,914	1,667
Other assets	(147)	118
Trade and other payables	(1,492)	877
Net cash flows from operations	4,077	2,240
Net income taxes paid	(71)	(335)
Net cash flows from operating activities	4,006	1,905
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,259)	(7,063)
Proceeds from disposal of property, plant and equipment	23	51
Refund of prepayment for purchase of land	422	–
Interest received	363	574
Disposal of subsidiary	–	1
Dividends received	428	271
Net cash flows used in investing activities	(23)	(6,166)
<u>Cash flows from financing activities</u>		
Dividends paid	(1,234)	(823)
Proceeds from loans and borrowings	133	4,770
Repayment of bank borrowings	(81)	–
Repayment of lease liabilities	(347)	(348)
Interest paid	(98)	–
Net cash flows (used in)/from financing activities	(1,627)	3,599
Net increase/(decrease) in cash and cash equivalents	2,356	(662)
Cash and cash equivalents at beginning of year	33,621	34,535
Net effect of exchange rate changes on cash and cash equivalents	(242)	(252)
Cash and cash equivalents at end of year (note 22)	35,735	33,621

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. GENERAL

AP Oil International Limited (the "Company") is incorporated in Singapore with limited liability and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company is situated in Singapore. The registered office is at 18 Pioneer Sector 1, Jurong, Singapore, 628428.

The financial statements as at and for the reporting year ended 31 December 2020 comprise the Company and its subsidiaries (the "Group") and the Group's interests in equity-accounted investees.

The financial statements are presented in Singapore dollars and the amounts are rounded to the nearest thousand, unless otherwise stated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The Company is an investment holding company.

The principal activities of the subsidiaries and joint ventures are set out in notes 16 and 17 respectively.

Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 26 February 2021, which would materially affect the Group's and the Company's operating and financial performance as of the date of these financial statements.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and also with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

These financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair value) as disclosed where appropriate in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. GENERAL (CONTINUED)

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, Management has made judgements in the process of applying the entity's accounting policies. The areas requiring Management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2C.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the Group obtains control of the investee and cease consolidation when the Group loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer generally on delivery of the goods (in this respect, incoterms are considered).

Rendering of services

Revenue from service orders and term projects is recognised when the Group satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Rental revenue

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Other income

Dividend income

Dividend from equity instruments is recognised in profit or loss only when the Group's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Other income (Continued)

Interest income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

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

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Foreign currency transactions

The functional currency of the Company is the United States dollar ("US\$") as it reflects the primary economic environment in which the entity operates.

Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges.

The presentation currency is the Singapore dollar ("S\$") as the financial statements are meant primarily for users in Singapore. Accordingly, assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translation of US\$ amounts into S\$ amounts are included solely for the convenience of readers. The reporting year end rates used are US\$1 to S\$1.32 (2019: US\$1 to S\$1.34) which approximates the rate of exchange at the end of the reporting year. The average rate of exchange for the reporting year is US\$1 to S\$1.37 (2019: US\$1 to S\$1.36). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into US dollars at the above rate or other rate.

Translation of financial statements of other entities

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax benefit) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associate and joint venture except where the Group is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties and improvements.	–	Over terms of lease, ranging from 3.13% to 9.09% per annum
Plant and equipment	–	20% to 100% per annum

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

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

Right-of-use assets

The Group recognises right-of-use assets at commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

The annual rates of depreciation are as follows:

Leased lands	–	Over terms of lease, ranging from 2.00% to 4.38% per annum
Leased building	–	Over term of lease at 33 ¹ / ₃ % per annum

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Leases as lessee

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Leases as lessor

As a lessor, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the Group and the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the Group has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the Group controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the Group is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement.

In the consolidated financial statements, the accounting for investments in a joint venture is based on the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the Group's interest in the relevant joint venture are not recognised except to the extent that the Group has an obligation to fund the joint venture's operations or made payments on behalf of the joint venture. Unrealised gains resulting from transactions between the Group and a joint venture are eliminated in the financial statements only to the extent of the Group's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint venture are changed where necessary to ensure consistency with the policies adopted by the Group. The Group discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with SFRS(I) 9 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

In the Company's separate financial statements, an investment in joint venture is accounted for at cost less any allowance for impairment. Impairment loss recognised in profit or loss for joint venture 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. The carrying value and the net book value of an investment in joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the Group as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill recognised as of the acquisition date is measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with SFRS(I) 3 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with SFRS(I) 3.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal Management purposes and is not larger than a segment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Financial instruments

Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

(i) Financial asset classified as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

(ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI")

(iii) Financial asset that is an equity investment classified as measured at FVTOCI

(iv) Financial asset classified as measured at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, Management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Financial instruments (Continued)

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances:

- (i) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (ii) The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of six months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The Group's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Fair value measurement (Continued)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

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

2B. Other explanatory information

Segment reporting

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Investment in equity interests of unquoted entity

The fair value of this financial instrument is not based on quoted price in an active market. Therefore, there is significant measurement uncertainty involved in the measurement of fair value. Management has engaged an external valuer to perform an independent valuation of this investment as at 31 December 2020. The fair value was determined based on the adjusted net assets approach. The assumptions and fair value are disclosed in note 18B to the financial statements.

Determination of lease term for leases

One of the subsidiaries of the Group leased a piece of land, located at No. 18 Pioneer Sector 1, Singapore 628428, from the Jurong Town Corporation ("JTC") for a period of 44 years and 11 months from 1 February 1979 and to December 2023. In 2019, JTC made a conditional offer to extend the lease term for additional 20 years from 2024 to 2043, provided the designated subsidiaries^(*) makes new capital investments, comprising plant and machinery and building and civil works of at least \$10,556,000, at the aforesaid premises by 4 July 2020 which was extended by JTC to 4 January 2022 in 2020. For the purpose of measuring the right-of-use asset and the related lease liability, judgement is required in determining the lease term which is dependent on Management's assessment as to whether it is reasonably certain that the requirements of the conditional offer from JTC can be met. The assumptions and carrying amounts of the right-of-use asset and the related lease liability are disclosed in note 14 and 26 respectively.

(*) Refer to Alpha Pacific Petroleum (S) Pte Ltd ("APP") and/or AP Oil Pte Ltd ("APPL").

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Allowance for impairment of trade receivables

The trade receivables impairment assessment is subject to the expected credit loss ("ECL") model. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amount is disclosed in the note on trade receivables.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The financial reporting standard on related party disclosures requires the Company to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to another party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling parties are Dr Ho Leng Woon, and Mdm Lau Woon Chan, directors and significant shareholders of the Company.

3A. Related party transactions

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest-free unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3A. Related party transactions (CONTINUED)

Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2020	2019
	\$'000	\$'000
<u>Joint venture</u>		
Sale of goods	<u>1,280</u>	<u>2,607</u>

3B. Key management compensation

	Group	
	2020	2019
	\$'000	\$'000
Salaries and other short-term employee benefits ^(#)	<u>1,777</u>	1,996
Contributions to defined contribution plan	<u>79</u>	<u>73</u>
	<u>1,856</u>	<u>2,069</u>

(#) Salaries and other short-term employee benefits include accrual adjustments made during the year.

The amounts set out above are included under employee benefits expense. Included in the amounts are the following items:

	Group	
	2020	2019
	\$'000	\$'000
Remuneration of directors of the Company	<u>1,320</u>	1,368
Remuneration of directors of subsidiaries	<u>443</u>	327
Fees to directors of the Company	<u>90</u>	<u>90</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Key management compensation (Continued)

Further information about the remuneration of individual directors is provided in the report on corporate governance. Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts for key management compensation are for all the directors of the Company and of the subsidiaries.

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information on reportable segments

Disclosure of information about operating segments, products and services, these geographical areas, and the major customers are made as required by SFRS(I) 8 *Operating Segments*. This disclosure standard has no impact on the reported financial performance or financial position of the Group.

For management purposes, the Group is organised into the following three major strategic operating segments that offer different products and services:

- (i) Manufacturing segment includes the manufacturing of a range of lubricating oil and specialty chemicals for industrial, automotive and marine applications, as well as the provision of oil blending services and rental of cleaning equipment to its customers;
- (ii) Trading segment trades in base oil, additives and specialty chemicals; and
- (iii) Franchising segment includes trade in raw materials for products under the "SIN-O" brand names.

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as internal reporting system. It represents the basis on which Management reports the primary segment information. They are managed separately because each business requires a different strategy.

Inter-segment sales are measured on the basis that the Group actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit or loss for the year and reconciliations

	Manufacturing \$'000	Trading \$'000	Franchising \$'000	Unallocated \$'000	Total \$'000
<u>2020</u>					
Revenue by segment	34,230	22,221	2,333	–	58,784
Inter-segment sales	(539)	(1,096)	–	–	(1,635)
Total revenue	<u>33,691</u>	<u>21,125</u>	<u>2,333</u>	<u>–</u>	<u>57,149</u>
Gross profit	<u>6,658</u>	<u>1,604</u>	<u>397</u>	<u>–</u>	<u>8,659</u>
Interest income				363	363
Other gains				1,427	1,427
Finance costs				(98)	(98)
Other losses				(170)	(170)
Unallocated expenses				(7,995)	(7,995)
Share of results of joint ventures				324	324
Profit before tax					<u>2,510</u>
Income tax expense				(357)	<u>(357)</u>
Profit for the year					<u>2,153</u>
<u>2019</u>					
Revenue by segment	33,530	27,116	3,921	–	64,567
Inter-segment sales	(540)	(1,186)	–	–	(1,726)
Total revenue	<u>32,990</u>	<u>25,930</u>	<u>3,921</u>	<u>–</u>	<u>62,841</u>
Gross profit	<u>8,156</u>	<u>1,582</u>	<u>577</u>	<u>–</u>	<u>10,315</u>
Interest income				574	574
Other gains				592	592
Other losses				(70)	(70)
Unallocated expenses				(8,876)	(8,876)
Share of results of joint ventures				265	265
Profit before tax					2,800
Income tax expense				(452)	<u>(452)</u>
Profit for the year					<u>2,348</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4C. Assets and reconciliations

	Manufacturing \$'000	Trading \$'000	Franchising \$'000	Unallocated \$'000	Total \$'000
<u>2020</u>					
Total assets for reportable segments	19,017	5,211	940	–	25,168
Unallocated:					
– Deferred tax assets	–	–	–	3	3
– Cash and cash equivalents	–	–	–	35,735	35,735
– Investments in joint ventures	–	–	–	2,570	2,570
– Right-of-use assets	–	–	–	5,526	5,526
– Other unallocated amounts	–	–	–	7,451	7,451
Total assets	<u>19,017</u>	<u>5,211</u>	<u>940</u>	<u>51,285</u>	<u>76,453</u>
<u>2019</u>					
Total assets for reportable segments	20,546	5,761	1,876	–	28,183
Unallocated:					
– Deferred tax assets	–	–	–	45	45
– Cash and cash equivalents	–	–	–	33,621	33,621
– Investments in joint ventures	–	–	–	2,383	2,383
– Right-of-use assets	–	–	–	3,610	3,610
– Other unallocated amounts	–	–	–	7,682	7,682
Total assets	<u>20,546</u>	<u>5,761</u>	<u>1,876</u>	<u>47,341</u>	<u>75,524</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and reconciliations

	Manufacturing \$'000	Trading \$'000	Franchising \$'000	Unallocated \$'000	Total \$'000
<u>2020</u>					
Total liabilities for reportable segments	4,150	2,557	190	–	6,897
Unallocated:					
– Deferred and current tax liabilities	–	–	–	854	854
– Loans and borrowings	–	–	–	6,199	6,199
– Lease liabilities	–	–	–	5,686	5,686
– Other unallocated amounts	–	–	–	467	467
Total liabilities	<u>4,150</u>	<u>2,557</u>	<u>190</u>	<u>13,206</u>	<u>20,103</u>
<u>2019</u>					
Total liabilities for reportable segments	5,246	2,598	418	–	8,262
Unallocated:					
– Deferred and current tax liabilities	–	–	–	615	615
– Loans and borrowings	–	–	–	6,149	6,149
– Lease liabilities	–	–	–	3,678	3,678
– Other unallocated amounts	–	–	–	756	756
Total liabilities	<u>5,246</u>	<u>2,598</u>	<u>418</u>	<u>11,198</u>	<u>19,460</u>

4E. Other material items and reconciliations

	Manufacturing \$'000	Trading \$'000	Franchising \$'000	Unallocated \$'000	Total \$'000
<u>Depreciation</u>					
2020	354	477	–	844	1,675
2019	<u>321</u>	<u>335</u>	<u>–</u>	<u>795</u>	<u>1,451</u>
<u>Capital expenditure</u>					
2020	3,227	253	–	129	3,609
2019	<u>2,016</u>	<u>297</u>	<u>–</u>	<u>8,523</u>	<u>10,836</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical information

	Revenue		Non-current assets	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Singapore	31,498	36,430	17,292	15,505
United Arab Emirates	9,979	6,377	-	-
Indonesia	1,983	2,246	-	-
Myanmar	1,710	1,633	-	-
Sri Lanka	1,687	1,865	-	-
People's Republic of China ("PRC")	1,655	3,129	1,720	1,776
Vietnam	1,315	2,646	2,261	2,458
Bangladesh	1,088	1,581	-	-
Philippines	879	2,186	-	-
Russia	765	554	-	-
Malaysia	707	1,207	-	-
Others	3,883	2,987	-	-
	57,149	62,841	21,273	19,739

Revenue is attributed to the geographical areas where they are derived by the Group. The non-current assets are analysed by the geographical areas in which the assets are located. The non-current assets exclude deferred tax assets and other financial assets.

4G. Information on major customers

1 customer (2019: no customer) of the Group contributed more than 10% of the Group's total revenue.

5. REVENUE

5A. Classification by type of goods or services

	Group	
	2020	2019
	\$'000	\$'000
Sale of goods	54,871	60,061
Rendering of services	1,133	1,433
Rental revenue	1,145	1,347
	57,149	62,841

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5. REVENUE (CONTINUED)

5B. Classification by duration of contracts

	Group	
	2020 \$'000	2019 \$'000
Short-term contracts	<u>57,149</u>	<u>62,841</u>

5C. Classification by timing of revenue recognition

	Group	
	2020 \$'000	2019 \$'000
Point in time	<u>56,004</u>	61,494
Over time	<u>1,145</u>	<u>1,347</u>
	<u>57,149</u>	<u>62,841</u>

6. OTHER GAINS/(LOSSES)

	Group	
	2020 \$'000	2019 \$'000
Allowance for impairment of trade receivables	(25)	(2)
Bad debts written-off on trade receivables	(12)	(34)
Dividend income	295	166
Foreign exchange losses	(130)	(31)
Gain on disposal of plant and equipment	14	47
Government grant income	1,013	92
Interest income from insurance policy	37	114
Plant and equipment written-off	(3)	(1)
Royalty income	25	25
Other income	43	148
Other expenses	-	(2)
	<u>1,257</u>	<u>522</u>
Presented in profit or loss as:		
Other gains	<u>1,427</u>	592
Other losses	<u>(170)</u>	<u>(70)</u>
	<u>1,257</u>	<u>522</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

7. DISTRIBUTION COSTS

Major components include the following:

	Group	
	2020	2019
	\$'000	\$'000
Employee benefits expense	1,166	1,141
Freight charges	671	661
	<u>1,837</u>	<u>1,802</u>

8. FINANCE COSTS

	Group	
	2020	2019
	\$'000	\$'000
Interest on borrowings	98	-
	<u>98</u>	<u>-</u>

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Employee benefits expense	6,087	6,405
Contributions to defined contribution plan	463	507
Others	161	153
	<u>6,711</u>	<u>7,065</u>

Included in:

Cost of sales	1,798	1,785
Distribution costs	1,166	1,141
Administrative expenses	3,747	4,139
	<u>6,711</u>	<u>7,065</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX

10A. Components of income tax recognised in profit or loss

	Group	
	2020	2019
	\$'000	\$'000
<u>Current tax</u>		
Current tax expense	200	391
Adjustments in respect of prior years	(221)	61
	<u>(21)</u>	<u>452</u>
 <u>Deferred tax</u>		
Deferred tax expense	378	–
	<u>357</u>	<u>452</u>

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore statutory tax rate of 17% (2019: 17%) to profit before tax as a result of the following:

	Group	
	2020	2019
	\$'000	\$'000
Profit before tax	2,510	2,800
Less: Share of results of equity-accounted joint ventures	(324)	(265)
	<u>2,186</u>	<u>2,535</u>
Income tax expense at statutory rate	372	431
Non-deductible items	492	101
Income not subject to tax	(216)	(83)
Adjustments in respect of prior years	(221)	61
Tax exemptions	(37)	(52)
Recognition of previously unrecognised deferred tax assets	(38)	–
Others	5	(6)
	<u>357</u>	<u>452</u>

There are no income tax consequences of dividends to owners of the Company. Temporary differences arising in connection with interests in subsidiaries and associates are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX (CONTINUED)

10B. Deferred tax recognised in profit or loss

	Group	
	2020 \$'000	2019 \$'000
Excess of net book value over tax value of property, plant and equipment	382	10
Excess of tax value over net book value of property, plant and equipment	44	–
Deferred tax relating to depreciation of right-of-use assets and interest on lease liabilities	(8)	(6)
Provision for unutilised leave	(4)	(2)
Recognition of previously unrecognised tax losses	(37)	–
Foreign exchange adjustments	1	(2)
	<u>378</u>	<u>–</u>

10C. Deferred tax in statement of financial position

	Group	
	2020 \$'000	2019 \$'000
Excess of net book value over tax value of property, plant and equipment	(658)	(276)
Excess of tax value over net book value of property, plant and equipment	–	44
Deferred tax relating to depreciation of right-of-use assets and interest on lease liabilities	14	6
Provision for unutilised leave	29	25
Recognition of previously unrecognised tax losses	37	–
Foreign exchange adjustments	1	2
	<u>(577)</u>	<u>(199)</u>
Presented in statement of financial position as follows:		
Deferred tax assets	3	45
Deferred tax liabilities	<u>(580)</u>	<u>(244)</u>
	<u>(577)</u>	<u>(199)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX (CONTINUED)

10C. Deferred tax in statement of financial position (Continued)

	Company	
	2020 \$'000	2019 \$'000
Excess of net book value over tax value of property, plant and equipment	(50)	(68)
Deferred tax relating to depreciation of right-of-use assets and interest on lease liabilities	6	3
Provision for unutilised leave	12	11
Unutilised tax losses	32	–
	–	(54)

Presented in statement of financial position as follows:

	Company	
	2020 \$'000	2019 \$'000
Deferred tax liabilities	–	(54)

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

Group	Tax losses		Deferred tax assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Unused tax losses available	4	226	1	38

The realisation of the future income tax benefits from unused tax losses is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit attributable to owners of the Company for the year, net of tax by the weighted average number of shares outstanding during the reporting year. The following sets out the numerator and denominator used to calculate basic earnings per share of no par value:

	Group	
	2020 \$'000	2019 \$'000
Numerator		
Profit attributable to owners of the Company, net of tax	2,153	2,348

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

11. EARNINGS PER SHARE (CONTINUED)

	Group	
	2020 \$'000	2019 \$'000
<u>Denominator</u>		
Weighted average number of shares	164,531	164,531

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

12. DIVIDENDS

	Company	
	2020 \$'000	2019 \$'000
Final tax exempt (1-tier) dividends paid at 0.75 cent (2019: 0.50 cent) per share	1,234	823

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
<u>Group</u>				
<u>Cost</u>				
At 1 January 2019	5,805	12,831	2,731	21,367
Additions	161	659	6,243	7,063
Disposals	–	(494)	–	(494)
Written-off	(6)	(296)	–	(302)
Foreign exchange adjustments	(62)	(73)	(112)	(247)
At 31 December 2019	5,898	12,627	8,862	27,387
Additions	587	632	40	1,259
Disposals	–	(82)	–	(82)
Written-off	–	(94)	–	(94)
Reclassifications	9,011	14	(9,025)	–
Foreign exchange adjustments	(260)	36	123	(101)
At 31 December 2020	15,236	13,133	–	28,369

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties and improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
<u>Group</u>				
<u>Accumulated depreciation</u>				
At 1 January 2019	3,650	10,884	–	14,534
Depreciation for the year	155	880	–	1,035
Disposals	–	(490)	–	(490)
Written-off	(6)	(296)	–	(302)
Foreign exchange adjustments	(41)	(56)	–	(97)
At 31 December 2019	3,758	10,922	–	14,680
Depreciation for the year	537	724	–	1,261
Disposals	–	(73)	–	(73)
Written-off	–	(91)	–	(91)
Foreign exchange adjustments	(23)	44	–	21
At 31 December 2020	4,272	11,526	–	15,798
<u>Net book value</u>				
At 1 January 2019	2,155	1,947	2,731	6,833
At 31 December 2019	2,140	1,705	8,862	12,707
At 31 December 2020	10,964	1,607	–	12,571

Construction-in-progress relates to the construction of a leasehold building situated on a leasehold land, which is leased by APP from JTC, located at 18 Pioneer Sector 1, Singapore 628428 (the "Premises"). In 2020, temporary occupancy permit ("TOP") was granted by the Building and Construction Authority and the building became ready for use. The building is then reclassified to leasehold property and subsequently depreciated on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The current lease expires in 2023, and JTC has made a conditional offer to APP to extend the lease term for an additional 20 years from 2024 to 2043. For more information, please see note 14.

Certain items of property, plant and equipment with carrying amount of \$8,917,000 (2019: \$8,862,000) are pledged to the bank as security for bank facilities (note 25).

Borrowing costs included in the cost of qualifying assets are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Borrowing costs capitalised in additions during the year	23	116
Accumulated interest capitalised included in total cost	140	117
Interest rates (%)	1.41% to 2.77%	2.77% to 3.00%

Allocation of depreciation expense

	Group	
	2020	2019
	\$'000	\$'000
Cost of sales	739	487
Administrative expenses	522	548
	1,261	1,035

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties and improvements \$'000	Plant and equipment \$'000	Total \$'000
<u>Company</u>			
<u>Cost</u>			
At 1 January 2019	1,323	1,236	2,559
Foreign exchange adjustments	(17)	(15)	(32)
At 31 December 2019	1,306	1,221	2,527
Additions	–	15	15
Written-off	–	(2)	(2)
Foreign exchange adjustments	(23)	(22)	(45)
At 31 December 2020	1,283	1,212	2,495
<u>Accumulated depreciation</u>			
At 1 January 2019	966	998	1,964
Depreciation for the year	16	196	212
Foreign exchange adjustments	(13)	(15)	(28)
At 31 December 2019	969	1,179	2,148
Depreciation for the year	16	46	62
Written-off	–	(1)	(1)
Foreign exchange adjustments	(17)	(23)	(40)
At 31 December 2020	968	1,201	2,169
<u>Net book value</u>			
At 1 January 2019	357	238	595
At 31 December 2019	337	42	379
At 31 December 2020	315	11	326

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following are properties held by the Group at end of reporting year:

<u>Location of properties</u>	<u>Tenure</u>	<u>Gross land area (sqm)</u>	<u>Gross built-in area (sqm)</u>	<u>Existing use</u>
<i>Singapore</i>				
No. 30 Gul Crescent, Singapore 629535	60 years lease with effect from 1 April 1981 and expiring in March 2041	5,217	1,550	Manufacture of lubricating oils and fluids
No. 18 Pioneer Sector 1, Singapore 628428	44 years and 11 months lease with effect from 1 February 1979 and expiring in December 2023 #	8,426	1,837	Manufacture of lubricating oils and fluids
No. 19 Tractor Road, Singapore 627977	22 years 10 months lease with effect from 29 February 2008 and expiring in December 2030	5,988	1,853	Toll-blend and manufacture of chemicals and specialty chemicals
<i>PRC</i>				
Rooms 2102 and 2103 East Tower, BHC Business Center, 2218 Hunan Road, Shanghai 201204, PRC	50 years lease with effect from 25 November 2011 and expiring in November 2061	18,569	203	Office

For more information, please see note 14.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS

	Leased lands	Leased property	Total
	\$'000	\$'000	\$'000
Group			
<u>Cost</u>			
At 1 January 2019	3,772	–	3,772
Additions	–	278	278
Foreign exchange adjustments	(27)	–	(27)
At 31 December 2019	3,745	278	4,023
Additions	2,350	–	2,350
Foreign exchange adjustments	(26)	–	(26)
At 31 December 2020	6,069	278	6,347
<u>Accumulated depreciation</u>			
At 1 January 2019	–	–	–
Depreciation for the year	350	66	416
Foreign exchange adjustments	(3)	–	(3)
At 31 December 2019	347	66	413
Depreciation for the year	321	93	414
Foreign exchange adjustments	(6)	–	(6)
At 31 December 2020	662	159	821
<u>Net book value</u>			
At 1 January 2019	3,772	–	3,772
At 31 December 2019	3,398	212	3,610
At 31 December 2020	5,407	119	5,526

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS (CONTINUED)

	Leased land
	\$'000
Company	
<u>Cost</u>	
At 1 January 2019	1,476
Foreign exchange adjustments	(18)
At 31 December 2019	1,458
Foreign exchange adjustments	(26)
At 31 December 2020	1,432
<u>Accumulated depreciation</u>	
At 1 January 2019	–
Depreciation for the year	66
Foreign exchange adjustments	(1)
At 31 December 2019	65
Depreciation for the year	67
Foreign exchange adjustments	(4)
At 31 December 2020	128
<u>Net book value</u>	
At 1 January 2019	1,476
At 31 December 2019	1,393
At 31 December 2020	1,304

The right-of-use assets for operating leases in existence at 1 January 2019 include initial direct costs.

Allocation of depreciation expense

	Group	
	2020	2019
	\$'000	\$'000
Cost of sales	319	350
Administrative expenses	95	66
	414	416

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS (CONTINUED)

Other information on leasing activities relating to right-of-use assets are summarised as follows:

	<u>Leased lands</u>	<u>Leased building</u>
Number of right-of-use assets	3	1
Remaining term (range)	10 year to 23 years	1 year
Remaining term (average)	18 years	1 year
Number of leases with extension options	<u>2</u>	<u>–</u>

The leases are for production facilities and office space. These leases include three parcels of land leased from JTC starting from 1 April 1981, 1 February 1979 and 29 February 2008, respectively, for a period of 60 years, 44 years 11 months and 22 years 10 months, respectively.

The lease rental terms are negotiated for an average term of 14 years (2019: 9 years) and rental is subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the leases prohibit selling or pledging the underlying leased assets as security. Typically, the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

Certain leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. For leases over building, the leases require those properties in a good state of repair and return the properties in their original condition at the end of the lease. Insurance and maintenance fees on right-of-use assets are usually required under the lease contracts.

As set out in note 13, the current lease of the Premises expires in 2023, and JTC made a conditional offer to APP to extend the lease term for an additional 20 years from 2024 to 2043 provided the designated subsidiaries^(#) makes new capital investments, comprising plant and machinery, building and civil works as well as refurbishment works of at least \$10,556,000 at the Premises by 4 July 2020. In 2020, JTC granted an extension of this deadline from 4 July 2020 to 4 January 2022. As at 31 December 2020, for the purpose of determining the lease term in the measurement of the right-of-use asset and lease liability, Management has determined that it is reasonably certain for the Group to meet the conditions set by JTC and accordingly, the extension of 20 years of the lease has been used in the computation.

(#) Refer to APP and/or APPL.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. GOODWILL

	Group	
	2020	2019
	\$'000	\$'000
At beginning and end of year	<u>409</u>	<u>409</u>

Goodwill is allocated to a CGU for the purpose of impairment testing. This CGU represents the Group's investment in GB Chemicals Pte Ltd ("GB Chemicals"), a subsidiary of the Company (see note 16).

The goodwill is tested for impairment at end of reporting year. An impairment loss is the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGU's have been measured based on the fair value less costs of disposal method or the value in use method as appropriate for the separate CGUs.

No impairment allowance was recognised by the Group as the carrying amount of the CGU was lower than its recoverable amount.

The value in use was determined by Management. The key assumptions for value in use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the year. Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The impairment test has been carried out using a discounted cash flows model covering a five year period. Cash flow projections are made based on current year's results with 0% growth rate (2019: 0%). The estimated discount rate using pre-tax rate that reflects current market assessments at the risks specific to the CGU is 9.7% (2019: 12.3%).

Actual outcomes could vary from these estimates. If the revised estimated gross margin at end of reporting year had been 10% less favourable than Management's estimates, the goodwill would have to be fully impaired. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% lower than Management's estimates, the recoverable amount would still be greater than the carrying value of the goodwill and no impairment for goodwill will be required. If the actual gross margin and pre-tax discount rate had been more favourable than Management's estimates, Management would not be able to reverse any impairment losses that arose on goodwill because SFRS(I) 1-36 does not permit reversing an impairment loss for goodwill.

The value in use is a recurring fair value measurement (level 3) determined by Management. The quantitative information on value in use measurement using significant unobservable inputs for the CGU are consistent with those used for the measurement last performed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	16,147	17,287
Disposal (note 16A)	–	(942)
Foreign exchange adjustments	(290)	(198)
	15,857	16,147
Less: Allowance for impairment	(195)	–
	15,662	16,147
Quasi-equity loan ^(#)	1,905	1,929
Foreign exchange adjustments	(34)	(24)
	1,871	1,905
	17,533	18,052

Movements in allowance for impairment are as follows:

At beginning of year	–	942
Additions	203	–
Disposal	–	(942)
Foreign exchange adjustments	(8)	–
At end of year	195	–

(#) The quasi-equity loan represents an interest-free loan from the Company to its subsidiary, AP (Vietnam) Holdings Pte Ltd (“AP Vietnam”). This loan is not expected to be repaid in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
<i>Held by the Company</i>				
A.I.M. Chemical Industries Pte Ltd ^(a)	Singapore	Toll-blending and manufacturing of specialty chemicals and trading of chemical products	100	100
APP ^(a)	Singapore	Importers and exporters, and blending of lubricating oil and grease	100	100
APPL ^(a)	Singapore	Importers and exporters of mineral, steel-related, oil and oil-related products as well as investment holding	100	100
GB Chemicals ^(a)	Singapore	Manufacturing and trading of cleaning and chemical products and trading of equipment	100	100
Axel Oil Pte Ltd ^(a)	Singapore	Dormant	100	100
AP Vietnam ^(a)	Singapore	Investment holding	100	100
Alpha Pacific Developments Holdings Pte Ltd ^(a)	Singapore	Dormant	100	100
AP Oil Singapore (Shanghai) Limited ^(b)	PRC	Wholesale, import and export of lubricating oil	100	100
<i>Held through APPL</i>				
AP Tang Mining Phil. Corporation ^(c)	Philippines	Dormant	90	90

(a) Audited by RSM Chio Lim LLP in Singapore.

(b) Audited by Zhongzhun CPA LLP, which is not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Not audited as it is immaterial. Two shares, representing 0.008% interest in the subsidiary, are held in trust by certain directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Disposal of subsidiary

On 17 December 2019, Heptalink Chemicals Pte Ltd was wound up by way of members voluntary liquidation. The effect of the disposal to the Group as at 31 December 2019 was as follows:

	Group 2019 \$'000
Cash and equivalents	1
Net assets	1
Consideration received	–
Net cash inflow	1

17. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of year	2,383	2,278	515	522
Share of results for the year	324	265	–	–
Dividends	(133)	(105)	–	–
Foreign exchange adjustments	(4)	(55)	(9)	(7)
At end of year	2,570	2,383	506	515

The carrying value comprises the following:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	1,831	1,831	534	534
Share of post-acquisition results, net of dividends received	1,259	1,068	–	–
Foreign exchange adjustments	(520)	(516)	(28)	(19)
	2,570	2,383	506	515
Share of net book value of joint ventures	2,570	2,383	506	515

The unaudited financial statements at 31 December of joint ventures have been used for equity accounting purposes. Any adjustments from the audited financial statements are reflected accordingly in the following year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Information on the joint ventures are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
<i>Held by the Company</i>				
AP Oil Singapore (Chongqing) Ltd ("AP Oil Chongqing") ^(a)	PRC	Trading of petroleum lubricating oils, base oils, additives and petrochemical related products	51	51
<i>Held through AP Vietnam</i>				
AP Saigon ^(b)	Vietnam	Manufacturing and blending of all types of lubricants, additives and chemicals and provision of logistics services for lubricants, chemicals, additives and petroleum related products	30	30

(a) Audited by Zhongzhun CPA LLP, which is not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(b) Audited by RSM DTL Auditing Company Ltd, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

17A. AP Oil Chongqing

AP Oil Chongqing was established on 24 August 2015 by the Company and another entity. The parties expect the arrangement to benefit them in different ways. AP Oil Chongqing's legal form causes it to be a separate vehicle to be considered in its own right. The articles and association of AP Oil Chongqing establishes joint control of the activities of AP Oil Chongqing. The joint arrangement is carried out through a separate vehicle, whose legal form confers separation between the parties and the separate vehicle, and the parties have rights to the net assets of AP Oil Chongqing. The Company recognises its rights to the net assets of AP Oil Chongqing as investment and account for it using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

17A. AP Oil Chongqing (Continued)

AP Oil Chongqing is considered as an immaterial joint venture to the Group. The summarised financial information for AP Oil Chongqing and the amounts (and not the Group's share of those amounts) based on the financial statements of AP Oil Chongqing are set out below. These are adjusted to reflect adjustments made by the Company when using the equity method.

	Group	
	2020 \$'000	2019 \$'000
Profit for the year	1	36
Net assets of joint venture	1,138	1,085

17B. AP Saigon

AP Saigon was established by the Company and two other entities. The parties expect the arrangement to benefit them in different ways. AP Saigon's legal form causes it to be a separate vehicle to be considered in its own right. The shareholders' agreement establishes joint control of the activities of AP Saigon. The joint arrangement is carried out through a separate vehicle, whose legal form confers separation between the parties and the separate vehicle, and the parties have rights to the net assets of AP Saigon. The Company recognises its rights to the net assets of AP Saigon as investment and account for it using the equity method.

The summarised financial information for AP Saigon and the amounts (and not the Group's share of those amounts) based on the financial statements of AP Saigon are set out below. These are adjusted to reflect adjustments made by the Company when using the equity method.

	Group	
	2020 \$'000	2019 \$'000
Revenue	13,462	15,600
Profit for the year	938	835
Includes:		
– Depreciation and amortisation	(131)	(120)
– Interest income	472	204
– Interest expense	(143)	(97)
– Income tax expense	(234)	(226)
Current assets ^a	10,605	12,613
Non-current assets ^b	568	665
Current liabilities	(4,491)	(7,132)
Non-current liabilities	(55)	(57)
Net assets	6,627	6,089
^a Includes cash and cash equivalents	734	760
^b Includes current financial liabilities (excluding trade and other payables and provisions)	(2,979)	(2,891)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. INVESTMENTS IN JOINT VENTURES (CONTINUED)

17B. AP Saigon (Continued)

	Group	
	2020 \$'000	2019 \$'000
Reconciliation		
Net assets of joint venture	6,627	6,089
Proportion of ownership interest	30%	30%
Other adjustments	2	1
Carrying amount of interest in joint venture	<u>1,990</u>	<u>1,828</u>

18. OTHER FINANCIAL ASSETS

	Group and Company	
	2020 \$'000	2019 \$'000
Key man life insurance policy (note 18A)	907	896
Investment in equity interests of unquoted entity at FVTPL (note 18B)	4,823	4,911
	<u>5,730</u>	<u>5,807</u>

18A. Key man life insurance policy

	Group and Company	
	2020 \$'000	2019 \$'000
At beginning of year	896	800
Insurance premium recognised in profit or loss	(8)	(8)
Insurance interest income recognised in profit or loss	37	114
Foreign exchange adjustments	(18)	(10)
At end of year	<u>907</u>	<u>896</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. OTHER FINANCIAL ASSETS (CONTINUED)

18A. Key man life insurance policy (Continued)

The key man life insurance policy (life insurance settlement contract) is accounted under the investment method. The initial investment at the transaction price plus all initial direct external costs and the policy premiums and direct external costs to keep the policy in force are capitalised. A test for impairment is made if there is new or updated information that indicates that the expected proceeds (based on current interest rates) from the insurance policy will not be sufficient to recover the carrying amount of the investment plus anticipated undiscounted future premiums and capitalisable direct external costs, when the policy terminates. The impairment allowance is charged to profit or loss.

18B. Investment in equity interests of unquoted entity at FVTPL

	Group and Company	
	2020	2019
	\$'000	\$'000
Fair value at beginning of year	4,911	4,971
Foreign exchange adjustments	(88)	(60)
Fair value at end of year	4,823	4,911

In 2016, the Company entered into an agreement with three other parties to establish Chongqing Zongshen Financial Leasing Company Limited ("Chongqing Zongshen Financial Leasing") in the PRC for the purpose of undertaking a financial leasing business. Pursuant to this agreement, the Company subscribed for 12.5% of the equity interests (unquoted) in Chongqing Zongshen Financial Leasing for approximately \$5,179,000 (the "Investment"). The Company fully paid up the amount during the year ended 31 December 2017.

At the same time, as part of this arrangement, the Company also entered into a supplementary agreement with all the above parties pursuant to which the major shareholder of Chongqing Zongshen Financial Leasing granted a put option to the Company whereby the Company, at its sole discretion, has the right to sell to the major shareholder all or part of its equity interest in Chongqing Zongshen Financial Leasing (the "Option"). The Option is exercisable from 1 January 2018 and shall be valid for as long as the Company holds the equity interests in Chongqing Zongshen Financial Leasing, and the exercise price shall be based on the higher of the Company's original capital contribution and the agreed market value at the time of exercise.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. OTHER FINANCIAL ASSETS (CONTINUED)

18B. Investment in equity interests of unquoted entity at FVTPL (Continued)

The Company accounted for this entire hybrid instrument as at FVTPL. The fair value of the financial asset, which is categorised within level 3 of the fair value hierarchy, was determined by an external valuer, Baker Tilly Consultancy (Singapore) Pte Ltd, based on the adjusted net assets approach.

19. OTHER ASSETS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Non-current assets</u>				
Prepayment for purchase of land ^(#)	197	630	-	-
<u>Current assets</u>				
Prepayments	395	231	17	15
Deposits to secure services	93	116	2	2
	488	347	19	17

^(#) On 14 January 2008, a subsidiary entered into an agreement with the Vietnamese company with the intention of establishing a joint arrangement for the purpose of acquiring three parcels of land in Vietnam. For this purpose, AP Vietnam paid a deposit of US\$468,800. However, the land purchase and the setting-up of the joint arrangement did not materialise eventually. On 4 November 2019, the subsidiary and the counter-party entered into an agreement pursuant to which both parties agreed to terminate the original arrangement and the deposit (including interest and other charges) will be refunded. In 2020, approximately US\$320,000 was received. The balance prepayment outstanding as at year end amounting to approximately US\$149,000 (equivalent to \$197,000), has been classified as non-current asset because Management does not expect the amount to be settled within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

20. INVENTORIES

	Group	
	2020	2019
	\$'000	\$'000
Finished goods and goods for resale	2,551	2,683
Raw materials	5,693	5,244
	8,244	7,927

	Group	
	2020	2019
	\$'000	\$'000
Raw materials used	42,050	47,663
Write-down of inventories to profit or loss included in cost of sales	130	138
Changes in inventories of finished goods and goods for resale	(132)	1,083

There are no inventories pledged as security for liabilities.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables</u>				
Outside parties	4,638	7,077	-	-
Joint venture	364	922	-	-
Less: Allowance for impairment	(25)	(2)	-	-
	4,977	7,997	-	-
<u>Other receivables</u>				
Other receivables	3	41	-	10
Subsidiaries	-	-	8,689	2,325
	3	41	8,689	2,335
	4,980	8,038	8,689	2,335

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for impairment are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of year	2	704	-	687
Charge for trade receivables to profit or loss included in other losses (note 6)	25	2	-	-
Amounts utilised	(2)	(687)	-	(687)
Foreign exchange adjustments	-	(17)	-	-
At end of year	25	2	-	-

The trade receivables are subject to the ECL model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a period ranging from 12 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Loss allowance for trade receivables was determined as follows:

	Gross amount		Group ECL rate		Loss allowance	
	2020 \$'000	2019 \$'000	2020 %	2019 %	2020 \$'000	2019 \$'000
Current	3,638	5,234	0.91	-	1	-
1 to 30 days past due	750	1,641	1.36	-	2	-
31 to 60 days past due	270	755	1.97	-	3	-
Over 60 days past due	344	369	5.14	0.54	22	2
	5,002	7,999			25	2

The trade receivables are considered to have low credit risk individually. The loss allowance as at 31 December 2020 was determined to be insignificant by Management.

At each subsequent reporting date, an evaluation is made as to whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is between 30 to 90 days (2019: 30 to 90 days). However, certain customers may take a longer period to settle the amounts.

Concentration of trade receivable customers at end of reporting year:

	Group	
	2020 \$'000	2019 \$'000
Top 1 customer	810	1,826
Top 2 customers	1,174	2,749
Top 3 customers	1,507	3,116

Other receivables at amortised cost shown above are also subject to the ECL model under the financial reporting standard on financial instruments. Other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12-month ECL because there has not been a significant increase in credit risk since initial recognition.

At each subsequent reporting date, an evaluation is made whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Other receivables due from related companies are regarded to be of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not restricted in use	35,735	33,621	8,200	15,084
Interest earning balances ^(#)	33,806	28,069	8,033	14,735

(#) The rate of interest for cash on interest earning balances was between 0.0015% and 1.51% (2019: 0.0014% and 2.95%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

22. CASH AND CASH EQUIVALENTS (CONTINUED)

22A. Cash and cash equivalents in statement of cash flows

	Group	
	2020 \$'000	2019 \$'000
Cash and cash equivalents for statement of cash flows purposes at end of year	<u>35,735</u>	<u>33,621</u>

22B. Reconciliation of liabilities arising from financing activities

	Bank loans \$'000	Lease liabilities \$'000	Total \$'000
<u>Group</u>			
At 1 January 2019	1,374	–	1,374
Adoption of SFRS(I) 16	–	4,050	4,050
Cash flows	4,770	(348)	4,422
Non-cash transactions	–	18	18
Foreign exchange adjustments	5	(42)	(37)
At 31 December 2019	<u>6,149</u>	<u>3,678</u>	<u>9,827</u>
Additions	–	2,350	2,350
Cash flows	52	(347)	(295)
Non-cash transactions	–	30	30
Foreign exchange adjustments	(2)	(25)	(27)
At 31 December 2020	<u>6,199</u>	<u>5,686</u>	<u>11,885</u>

23. SHARE CAPITAL

	Company	
	Number of shares issued '000	Share capital \$'000
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>164,531</u>	<u>6,606</u>

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. SHARE CAPITAL (CONTINUED)

Capital management

In order to maintain its listing on the SGX-ST, the Company has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrar frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year.

Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. There are loans and borrowings but these are secured by specific assets. The debt-to-adjusted capital ratio may not provide a meaningful indicator of the risk from borrowings.

All reserves classified as retained earnings represent past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

24. OTHER RESERVES

<u>Group</u>	Capital reserve^(#) \$'000	Foreign currency translation reserve \$'000	Total \$'000
At 1 January 2019	5,230	(704)	4,526
Exchange difference on translation from functional currency to presentation currency	–	(686)	(686)
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	33	33
Disposal of subsidiary	–	(1)	(1)
At 31 December 2019	5,230	(1,358)	3,872
Exchange difference on translation from functional currency to presentation currency	–	(660)	(660)
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	27	27
At 31 December 2020	5,230	(1,991)	3,239

(#) The capital reserve is not available for cash dividends.

<u>Company</u>	Foreign currency translation reserve \$'000
At 1 January 2019	(587)
Exchange difference on translation from functional currency to presentation currency	(492)
At 31 December 2019	(1,079)
Exchange difference on translation from functional currency to presentation currency	(688)
At 31 December 2020	(1,767)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. LOANS AND BORROWINGS

	Group	
	2020	2019
	\$'000	\$'000
<u>Non-current liabilities</u>		
Bank loans (secured) with floating interest rate	<u>5,320</u>	<u>5,140</u>
<u>Current liabilities</u>		
Bank loans (secured) with floating interest rate	<u>879</u>	<u>1,009</u>

The loans were obtained by the Group to finance the cost of construction and redevelopment of the property at 18 Pioneer Sector 1. The loans are secured by mortgage on the leasehold property (see note 13) and are repayable by equal monthly instalment over seven years from the issuance of TOP on 6 February 2020 or 30 June 2020, whichever is earlier.

The floating rate interest rates paid were as follows:

	Group	
	2020	2019
Bank loans (secured)	<u>1.41% to 2.77%</u>	<u>2.77% to 3.00%</u>

At end of reporting year, the non-current portion is repayable as follows:

Due within two to five years	<u>4,538</u>	3,590
After five years	<u>782</u>	<u>1,550</u>
	<u>5,320</u>	<u>5,140</u>

The carrying amount is a reasonable approximation of the fair value measurement of the loans and borrowings (Level 2).

26. LEASE LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Lease liabilities, current	<u>358</u>	400	<u>52</u>	50
Lease liabilities, non-current	<u>5,328</u>	3,278	<u>1,325</u>	1,377
	<u>5,686</u>	<u>3,678</u>	<u>1,377</u>	<u>1,427</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. LEASE LIABILITIES (CONTINUED)

Movements in lease liabilities are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of year	3,678	3,772	1,427	1,476
Additions	2,350	278	–	–
Interest	30	18	37	39
Repayments	(347)	(348)	(63)	(45)
Foreign exchange adjustments	(25)	(42)	(24)	(43)
At end of year	5,686	3,678	1,377	1,427

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	Leased lands and building
Number of right-of-use assets	4
Remaining term – range	1 year to 23 years
Remaining term – average	14 years
Number of leases with extension options	2
Weighted average incremental borrowing rate applied to lease liabilities – 2020 and 2019	2.68%

The lease liabilities above do not include short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments that do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of lease liabilities and right-of-use assets. The right-of-use assets are disclosed in note 14.

Only variable lease payments that depend on an index or a rate, or payments that vary to reflect changes in market rental rates, are included in the measurement of the lease liabilities. Such variable amounts that are unpaid at commencement date are included in the measurement of lease liabilities. Variable lease payments would also include extension options and termination options, residual value guarantees, and leases not yet commenced to which the lessee is committed. Variable lease payments that are based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. LEASE LIABILITIES (CONTINUED)

A summary of the maturity analysis of lease liabilities setting out the remaining contractual maturities is as follows:

<u>Group</u>	Minimum payments^(#) \$'000	Finance charges \$'000	Present value \$'000
<u>2020</u>			
Due within one year	505	(147)	358
Due within two to five years	1,637	(508)	1,129
Due after five years	5,109	(910)	4,199
	7,251	(1,565)	5,686
<u>2019</u>			
Due within one year	497	(97)	400
Due within two to five years	1,567	(265)	1,302
Due after five years	2,313	(337)	1,976
	4,377	(699)	3,678

(#) Refer to gross lease liabilities in note 29E.

<u>Company</u>	Minimum payments^(#) \$'000	Finance charges \$'000	Present value \$'000
<u>2020</u>			
Due within one year	88	(36)	52
Due within two to five years	351	(130)	221
Due after five years	1,345	(241)	1,104
	1,784	(407)	1,377
<u>2019</u>			
Due within one year	88	(38)	50
Due within two to five years	351	(135)	216
Due after five years	1,432	(271)	1,161
	1,871	(444)	1,427

(#) Refer to gross lease liabilities in note 29E.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. LEASE LIABILITIES (CONTINUED)

The cash outflow for leases for the year ended 31 December 2020 are shown in the statement of cash flows.

Subsequent to initial measurement, the liabilities will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liabilities are re-measured, the corresponding adjustments are reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

At reporting date, there were no commitments on leases which had not yet commenced.

The carrying amount is a reasonable approximation of the fair value measurement of the lease liabilities (Level 2).

Please also refer to note 14 for more information on the determination of lease term for the purpose of measuring lease liabilities.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade payables</u>				
Outside parties and accrued liabilities	5,744	7,793	476	832
<u>Other payables</u>				
Subsidiaries	–	–	1,430	1,332
Deposits from customers	190	201	–	–
Contract liabilities (note 27A)	1,104	654	–	–
Other payables	326	370	–	–
	1,620	1,225	1,430	1,332
	7,364	9,018	1,906	2,164

27A. Contract liabilities

	Group	
	2020 \$'000	2019 \$'000
Deposits from customers	1,104	654

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27. TRADE AND OTHER PAYABLES (CONTINUED)

27A. Contract liabilities (Continued)

Movements in contract liabilities are as follows:

	Group	
	2020	2019
	\$'000	\$'000
At beginning of year	654	477
Consideration received	1,076	2,500
Performance obligation satisfied – revenue recognised	(626)	(2,323)
At end of year	<u>1,104</u>	<u>654</u>

28. CAPITAL COMMITMENTS

Estimated amounts committed at end of reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Commitments to purchase property, plant and equipment (note 13)	<u>202</u>	<u>1,288</u>

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

29A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at end of reporting year:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Financial assets</u>				
Financial assets at amortised cost	41,622	42,555	17,796	18,315
Financial assets at FVTPL	4,823	4,911	4,823	4,911
	<u>46,445</u>	<u>47,466</u>	<u>22,619</u>	<u>23,226</u>

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Financial liabilities</u>				
Financial liabilities at amortised cost	17,955	17,990	3,283	3,591

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29A. Categories of financial assets and liabilities (Continued)

Further quantitative disclosures are included throughout these financial statements.

29B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the Group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions;
- (ii) Maximise the use of "natural hedge", favouring as much as possible the natural off- setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk;
- (iii) All financial risk management activities are carried out and monitored by senior management staff; and
- (iv) All financial risk management activities are carried out following acceptable market practices.

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

29C. Fair value of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables.

On initial recognition, a day-one loss is recorded equal to the 12-month ECL for trade receivables, unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 22 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

29E. Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is approximately 30 to 90 days (2019: 30 to 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activities are expected to generate sufficient cash inflows.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29E. Liquidity risk (Continued)

The following table analyses non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than			Total
	1 year	1 – 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000
<u>2020</u>				
Loans and borrowings	879	4,538	782	6,199
Gross lease liabilities (note 26)	505	1,637	5,109	7,251
Trade and other payables ^(#)	6,070	–	–	6,070
	7,454	6,175	5,891	19,520
<u>2019</u>				
Loans and borrowings	1,009	3,590	1,550	6,149
Gross lease liabilities (note 26)	497	1,567	2,313	4,377
Trade and other payables ^(#)	8,163	–	–	8,163
	9,669	5,157	3,863	18,689

(#) Excludes deposits from customers and contract liabilities.

Company	Less than			Total
	1 year	1 – 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000
<u>2020</u>				
Gross lease liabilities (note 26)	88	351	1,345	1,784
Trade and other payables	1,906	–	–	1,906
	1,994	351	1,345	3,690
<u>2019</u>				
Gross lease liabilities (note 26)	88	351	1,432	1,871
Trade and other payables	2,164	–	–	2,164
	2,252	351	1,432	4,035

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29E. Liquidity risk (Continued)

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above are the contractual undiscounted cash flows and differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At end of reporting year, no claims on financial guarantees are expected.

29F. Interest rate risk

Interest rate risk exposure is mainly from changes in fixed interest rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Financial assets with interest</u>				
Fixed rate	28,422	25,807	7,783	14,303
Floating rate	5,384	2,262	250	432
	33,806	28,069	8,033	14,735
<u>Financial liabilities with interest</u>				
Fixed rate	5,686	3,678	1,377	1,427
Floating rate	6,199	6,149	–	–
	11,885	9,827	1,377	1,427

	Group	
	2020 \$'000	2019 \$'000
<u>Financial assets (floating rate)</u>		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant would increase pre-tax profit for the year by	54	23
<u>Financial liabilities (floating rate)</u>		
A hypothetical variation in interest rates by 100 basis points with all other variables held constant would decrease pre-tax profit for the year by	(62)	(61)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29F. Interest rate risk (Continued)

The effect on pre-tax profit on a variation in interest rate of financial liabilities is not significant.

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

29G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e., in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts held by the Group and the Company denominated in non-functional currencies is as follows:

<u>Group</u> <u>2020</u>	USD \$'000	SGD \$'000	Other Currencies \$'000	Total \$'000
<u>Financial assets</u>				
Cash and cash equivalents	248	1,414	3	1,665
Trade and other receivables	1,348	1,064	–	2,412
Total financial assets	1,596	2,478	3	4,077
<u>Financial liabilities</u>				
Trade and other payables	(69)	(3,810)	(148)	(4,027)
Loans and borrowings	–	(6,199)	–	(6,199)
Lease liabilities	–	(1,377)	–	(1,377)
Total financial liabilities	(69)	(11,386)	(148)	(11,603)
Net financial assets/(liabilities) at end of year	1,527	(8,908)	(145)	(7,526)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29G. Foreign currency risks (Continued)

<u>Group</u>	USD	SGD	Other	Total
<u>2019</u>	\$'000	\$'000	Currencies	\$'000
			\$'000	\$'000
<u>Financial assets</u>				
Cash and cash equivalents	305	2,338	3	2,646
Trade and other receivables	234	1,202	–	1,436
Total financial assets	539	3,540	3	4,082
<u>Financial liabilities</u>				
Trade and other payables	(117)	(1,776)	(126)	(2,019)
Loans and borrowings	–	(6,149)	–	(6,149)
Lease liabilities	–	(2,066)	–	(2,066)
Total financial liabilities	(117)	(9,991)	(126)	(10,234)
Net financial assets/(liabilities) at end of year	422	(6,451)	(123)	(6,152)
<u>Company</u>	SGD	Other	Total	
<u>2020</u>	\$'000	Currencies	\$'000	\$'000
<u>Financial assets</u>				
Cash and cash equivalents	320	1	321	
Trade and other receivables	2,741	–	2,741	
Total financial assets	3,061	1	3,062	
<u>Financial liabilities</u>				
Trade and other payables	(476)	–	(476)	
Lease liabilities	(1,377)	–	(1,377)	
Total financial liabilities	(1,853)	–	(1,853)	
Net financial assets at end of year	1,208	1	1,209	
<u>2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents	1,393	1	1,394	
Trade and other receivables	2,335	–	2,335	
Total financial assets	3,728	1	3,729	
<u>Financial liabilities</u>				
Trade and other payables	(734)	–	(734)	
Lease liabilities	(1,427)	–	(1,427)	
Total financial liabilities	(2,161)	–	(2,161)	
Net financial assets at end of year	1,567	1	1,568	

There is exposure to foreign currency risk as part of the Group's normal business.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

29G. Foreign currency risks (Continued)

Sensitivity analysis for significant items

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
A hypothetical 10% depreciation in exchange rate of functional currency against USD would have a favourable effect on profit before tax of:	153	42	–	–
A hypothetical 10% depreciation in exchange rate of functional currency against SGD would have a (adverse)/favourable effect on profit before tax of:	(891)	(645)	121	157

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the Group has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In Management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in the future.

29H. Equity price risk

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares. The fair value of these equity shares and sensitivity analysis are disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

30. ITEMS IN PROFIT OR LOSS

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

	Group	
	2020 \$'000	2019 \$'000
Audit fees to independent auditor of the Company	151	147
Other fees to independent auditor of the Company	19	29
Audit fees to other independent auditors	6	6
Other fees to other independent auditors	24	24

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised SFRS(I) were issued by the Singapore Accounting Standards Council. Those applicable to the Group and the Company are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
SFRS(I) 3	Definition of a Business – Amendments
SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Materials – Amendments
SFRS (I) PS 2	SFRS(I) Practice Statement 2 Making Materiality Judgements
SFRS (I) 1-39, 7 and 9	Interest Rate Benchmark Reform – Amendments
N.A.	The Conceptual Framework for Financial Reporting
SFRS(I) 16	Covid-19 Related Rent Concessions – Amendment to (effective from 30 June 2020)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

For the future reporting years certain new or revised SFRS(I) were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the Group and the Company for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the Group's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-1	Presentation of Financial Statements – amendment relating to Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments	1 January 2022
SFRS(I) 1-16	Property, Plant and Equipment: Proceeds before Intended Use – Amendments	1 January 2022
SFRS(I) 9	Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project)	1 January 2022
SFRS(I)10 and SFRS(I) 1-28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet
Various	Annual Improvements to SFRS(I) 2018 – 2020	1 January 2022

INFORMATION ON SHAREHOLDINGS

AS AT 18 MARCH 2021

Issued and fully paid share capital	: SGD 6,605,611.78
Number of shares	: 164,531,172
Class of shares	: Ordinary shares
Voting rights	: One vote per share

Distribution of Shareholdings

Size of Shareholdings	No. of		No. of Shares	%
	Shareholders	%		
1 – 99	33	2.37	1,278	0.00
100 – 1,000	134	9.63	66,945	0.04
1,001 – 10,000	451	32.40	2,786,614	1.69
10,001 – 1,000,000	759	54.52	40,163,186	24.41
1,000,001 and above	15	1.08	121,513,149	73.86
Total	1,392	100.00	164,531,172	100.00

Shareholding held by the Public

Based on the information available to the Company as at 18 March 2021, approximately 41% of the issued ordinary shares of the Company is held by the Public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial shareholders

Names of shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares	No. of shares	% of shares
DR HO LENG WOON ¹	61,406,250	37.32	17,531,250	10.66
LAU WOON CHAN ¹	17,531,250	10.66	61,406,250	37.32
HO CHEE HON (HE QIHONG)	11,468,937	6.97	–	–

Note:–

- 1) Dr Ho Leng Woon is the husband of Mdm Lau Woon Chan. They are deemed to be interested in the shares held by each other.

INFORMATION ON SHAREHOLDINGS

AS AT 18 MARCH 2021

AP OIL INTERNATIONAL LIMITED

Twenty Largest Shareholders as at 18 March 2021

	Name of Shareholder	No. of Shares	% of Shareholdings
1	HO LENG WOON	61,406,250	37.32
2	LAU WOON CHAN	17,531,250	10.66
3	HO CHEE HON (HE QIHONG)	11,468,937	6.97
4	DBS NOMINEES PTE LTD	5,180,900	3.15
5	RAFFLES NOMINEES (PTE) LIMITED	4,646,600	2.82
6	NEO BENG BENG	3,160,000	1.92
7	UOB KAY HIAN PTE LTD	3,092,200	1.88
8	LAU TONG HONG	3,037,500	1.85
9	HO AYE ENG	2,721,375	1.65
10	ONG LAY CHOO (WANG LIZHU)	2,292,000	1.39
11	PHILLIP SECURITIES PTE LTD	1,791,037	1.09
12	HAN SEE KWANG	1,531,800	0.93
13	ABN AMRO CLEARING BANK N.V.	1,274,000	0.77
14	ONG KIAN KOK	1,199,300	0.73
15	NG ZHENG XIONG	1,180,000	0.72
16	CHEE KWAI FUN (ZHU GUIFEN)	1,000,000	0.61
17	HAN CHOON SIANG	862,000	0.52
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	745,938	0.45
19	CHOO YUIN TIEN	715,312	0.43
20	TAN MIOW CHIN	705,000	0.43
	TOTAL	125,541,399	76.29

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting of the members of the Company will be convened and held by way of electronic means on 28 April 2021 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:-

AS ORDINARY BUSINESS

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. | To receive and consider the Directors' Statements and Audited Financial Statements of the Company for the year ended 31 December 2020 and the Auditors' Report thereon. | Resolution 1 |
| 2. | To declare a final exempt (one-tier) dividend of 0.50 cent per ordinary share for the year ended 31 December 2020. | Resolution 2 |
| 3. | To re-elect Mr Mah How Soon (Ma Haoshun), retiring pursuant to the Company's Constitution and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"):
<i>Mr Mah How Soon (Ma Haoshun) shall, upon re-election as Director of the Company, remain as Member of the Audit Committee, Nomination Committee and Remuneration Committee. Mr Mah How Soon (Ma Haoshun) shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.</i> | Resolution 3 |
| 4. | To re-elect Mr Wan Kum Tho, retiring pursuant to the Company's Constitution and the Listing Manual of the SGX-ST:
<i>Mr Wan Kum Tho shall, upon re-election as Director of the Company, remain as Member of the Audit Committee, Nomination Committee and Remuneration Committee. Mr Wan Kum Tho shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.</i> | Resolution 4 |
| 5. | To re-elect Mr Chang Kwok Wah, retiring pursuant to the Company's Constitution and the Listing Manual of the SGX-ST: | Resolution 5 |
| 6. | To note the retirement of Mr Tan Woon Hum, a director retiring pursuant to the Company's Constitution and not seeking re-election. | |
| 7. | To approve the Directors' Fees of SGD135,000/- for the year ending 31 December 2021, payable half-yearly in arrears. | Resolution 6 |
| 8. | To re-appoint Messrs RSM Chio Lim LLP as the Auditors for the year and to authorise the Directors of the Company to fix their remuneration. | Resolution 7 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution as Ordinary Resolution, with or without amendments:

- | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 9. | Proposed Share Issue Mandate | Resolution 8 |
| | <p>"That pursuant to Section 161 of the Companies Act, Cap. 50. and the Listing Manual of the SGX-ST, the Directors of the Company be authorized and empowered to:</p> <p>(a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or</p> <p>(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,</p> <p>at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and</p> | |

NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares, and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST; Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.
- (3) 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 Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (i)]

10. And to transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The proposed Ordinary Resolution 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to ten per centum (10%) may be issued other than on a *pro-rata* basis to existing shareholders of the Company. For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

BY ORDER OF THE BOARD

LAU TAI CHONG
Company Secretary

Date: 9 April 2021

Notes:

- a) A Shareholder (including a relevant intermediary*) entitled to vote at the Annual General Meeting (the "AGM") must appoint Chairman of the AGM to act as proxy and direct the vote at the AGM.
- b) The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
- c) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
- d) In the case of joint shareholders, all holders must sign the form of proxy.
- e) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 18 Pioneer Sector 1, Singapore 628428, not less than 48 hours before the time appointed for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

IMPORTANT NOTICE TO SHAREHOLDERS ON ALTERNATIVE ARRANGEMENTS FOR THE ANNUAL GENERAL MEETING (AGM):

In view of the safe distancing regulations to hold physical meeting, to minimize physical interaction and COVID-19 transmission risks, the Company will conduct its AGM by electronic means pursuant to the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this notice of AGM ("Notice"), the proxy form and the FY2020 Annual Report will be sent to Shareholders. The documents will also be made available to Shareholders via publication on the Company's corporate website (<http://www.apoil.com.sg>) and on the SGX website (<https://www.sgx.com/securities/company-announcements>). Alternative arrangements relating to, among others, attendance at the AGM by way of electronic means (arrangements by which the AGM can be electronically accessed via live audio-visual webcast), submission of questions in advance of the AGM, addressing of substantial and relevant questions at the AGM and/or voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below.

Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, a Shareholder (*including a relevant intermediary**) will not be able to attend the AGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.

- * Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any shareholder who is a relevant intermediary is entitled to appoint the Chairman of the AGM to attend and vote at the AGM. Relevant intermediary is either:
- (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

Shareholders may participate at the AGM by electronic means by taking note of the following steps:

1. Registration for Live Webcast

A Shareholder will be able to follow the proceedings of the AGM through a live audio-visual webcast ("Live Webcast") via mobile phone, tablet, computer or any such electronic device. Shareholder must follow these steps: Pre-register by 2.30 p.m. on 22 April 2021 ("Registration Deadline"), by sending an email to interns1@apoil.com.sg. Shareholders must provide the Company with their particulars (comprising full name (for individual)/company name (for corporate), email address, contact number, NRIC/passport number/company registration number, shareholding type and number of shares held). Shareholders who have been authenticated will receive an email instruction to access the live webcast by 2.30 p.m. on 27 April 2021. Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible so that the necessary arrangements can be made by the relevant agents for their participation in the AGM by electronic means.

NOTICE OF ANNUAL GENERAL MEETING

2. Submission of questions in advance

Shareholders will not be able to speak or ask questions during the live webcast, therefore it is important for them to submit their questions in advance of the AGM. All questions must be submitted by 2.30 p.m. on 20 April 2021 to the Company:

(a) By email to interns1@apoil.com.sg

(b) By post, to be lodged at the Company's registered address at 18 Pioneer Sector 1, Singapore 628428. Shareholders must provide the Company with their particulars (comprising full name (for individuals)/company name (for corporate), email address, contact number, NRIC/passport number/company registration number, shareholding type and number of shares held) and submit their questions using the question form provided in this Annual Report. The Company will address the substantial queries from Shareholders at the AGM and upload the Company's responses on the SGX website. The minutes of the AGM, including responses to substantial queries from the Shareholders, shall thereafter be published on SGX website, within one month from the conclusion of the AGM. Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

3. Proxy Voting

A Shareholder (including a relevant intermediary) will not be able to attend the AGM physically in person. If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The proxy form appointing the Chairman of the AGM as proxy is in the Annual Report 2020 and uploaded with this Notice of AGM on SGX website. Shareholders (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his/her/its manner of voting, or abstention from voting, in the proxy form, failing which the appointment will be treated as invalid. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:

(a) if by post, to the Share Registrar of the Company, Tricor Barbinder Share Registration Services, 80, Robinson Road, #11-02, Singapore 068898; (Opening Hours is 9 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays); or

(b) if by email to the Company, to email address interns1@apoil.com.sg

in either case, not less than 48 hours before the time for holding the AGM by 2.30 p.m. on 26 April 2021 and at any adjournment thereof.

A Shareholder who wishes to submit an instrument of proxy by (a) and (b) must first download the proxy form, which is available on SGX website at the URL <https://www.sgx.com/securities/company-announcements>, complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. Investors who hold shares through *relevant intermediaries* as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to appoint the Chairman of the AGM as proxy, should approach their respective agents, including CPF Agent Banks and SRS Operators, to submit their votes at least seven (7) working days before the AGM (i.e. by 2.30 p.m. on 19 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

NOTICE OF ANNUAL GENERAL MEETING

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy 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 in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy) and received after the cut-off at 2.30 p.m. on 26 April 2021. In the case of shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the Chairman of the AGM as proxy.

The Annual Report 2020 has been uploaded on SGX website on 9 April 2021. Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGX website. Shareholders are advised to check the SGX website regularly for update on the AGM.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via Live Webcast, or (c) submitting any question prior to the AGM in accordance with this Notice, a Shareholder consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to Shareholders (or their corporate representatives in the case of Shareholders which are legal entities) to the Live Webcast to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from Shareholders received before the AGM and if necessary, following up with the relevant Shareholders in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

AP OIL INTERNATIONAL LIMITED

Registration No. 197502257M
(Incorporated in the Republic of Singapore)

Question form

Event : 2021 Annual General Meeting ("AGM")
Date : 28 April 2021 (Wednesday)
Time : 2.30 p.m.

Please note that shareholders will not be able to ask questions "live" at the AGM webcast. Shareholders who wish to ask a question relating to the resolutions to be tabled at the AGM must complete and submit this question form to the Company.

Please complete all fields below. Incomplete or improperly completed forms will not be processed.

Full Name: _____ (as per CDP/CPF/SRS record)

NRIC/FIN/Passport Number: _____ Company Registration: _____

Email Address: _____

APOIL shares are held through which: CDP/CPF/SRS (*delete as applicable*)

Question/s for the Board of Directors and Management:

- *Must relate to the resolutions to be tabled at the AGM.*
- *Please refer to the Notice of AGM for the resolution number to be indicated below.*

Question 1: In relation to AGM Resolution No. _____ (indicate relevant resolution number)

Question 2: In relation to AGM Resolution No. _____ (indicate relevant resolution number)

Question 3: In relation to AGM Resolution No. _____ (indicate relevant resolution number)

**delete as applicable*

Dated this _____ day of April 2021

Signature of Shareholder(s), or Common Seal of Corporate Shareholder



SUSTAINABILITY REPORT CONTENT

ABOUT THIS REPORT	138
STAKEHOLDER ENGAGEMENT	140
SUSTAINABILITY STRATEGY	142
ENVIRONMENT	144
PEOPLE	148
CUSTOMERS	151
COMMUNITY	153
ECONOMIC PERFORMANCE	153
GRI CONTENT INDEX	154

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is AP Oil International Limited ("APOIL") Sustainability Report, to present our Environmental, Social and Governance (ESG) performance for the period 1 January 2018 to 31 December 2020.

This report covers APOIL's ESG performance for business operations in Singapore and excludes overseas subsidiaries. Sustainability data included in the report pertains to three major subsidiaries namely AP Oil Pte Ltd, A.I.M. Chemical Industries Pte Ltd, and GB Chemicals Pte Ltd ("Major Subsidiaries"). These three companies contribute largely to the Group turnover, operations and profitability.

Reporting Framework

This report has been prepared in accordance with the GRI standards, a widely used framework for sustainability reporting worldwide, and complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. It includes a GRI Index for the relevant disclosures. We have used the GHG Protocol Corporate Accounting and Reporting Standard for measuring and reporting APOIL carbon emission.

Reporting Process

The Board provides direction to Management in developing a sustainability strategy and report, determines the ESG factors and disclosure in the Sustainability Report. The Board is assisted by the Sustainability Committee ("Committee"), headed by the Group Chief Executive Officer and includes senior executives from APOIL and Major Subsidiaries. The Committee is responsible for report content, scope and boundary for sustainability reporting and issues noted. The Major Subsidiaries have collected, verified and provided the ESG performance data for the Sustainability Report.

Report Content and Quality

The report includes the materiality assessment for the ESG factors and the stakeholder's expectation. Potential ESG risks, opportunities and general sustainability trend have been taken into account. We have applied the principles of accuracy, clarity, comparability, reliability and timeliness to ensure report quality. Data contained in the report have been extracted from internal systems and records. Commonly used international measurement units have been used for presenting the information. Financial figures are in Singapore dollar.

Assurance

Internal verification mechanism were used to ensure the accuracy of reported information. Our ESG performance data is reported in good faith and to the best of our knowledge. We have not obtained external assurance for this Sustainability Report.

Feedback

We welcome stakeholders' comment and question regarding the content of this report.

SUSTAINABILITY REPORT

ESG PERFORMANCE			
MATERIAL ESG FACTORS	2018	2019	2020
ENVIRONMENTAL			
CO2 emissions (t)*	309	346	333
Electricity used (kWh)*	420,265	497,670	506,180
Water consumption (m ³)*	10,585	11,025	9,424
Wastewater (m ³)* †	9,000	Nil	Nil
Hazardous waste (Kg)*	100,542	54,046	62,090
SOCIAL			
Employees			
Permanent employees	109	109	111
New hires	23	23	25
Female employees – %	33	32	32
Female Managers and Supervisors – %	32	31	24
Female Heads of Department (HODs) – %	33	36	38
Training expenditure per employee (\$)	151	104	56
Employee turnover rate (%)	19	21	20
Fatal Accidents	zero	zero	zero
FINANCIAL (\$'000)			
Revenue	78,378	62,841	57,149
Profit net of tax	2,006	2,348	2,153
Employee wages and benefits	6,563	7,065	6,711
Dividends to shareholders	823	823	1,234

* Environmental ESG Factors in 2018 and 2019 are restated to exclude data from a non-Major Subsidiary.

† Nil balances in 2020 and 2019 due to waste water recycled and neutralized for reuse.

Notes:

1. ESG performance data relates to the Major Subsidiaries.
2. Wastewater data refers to GB Chemicals, Nil balances were due to recycled waste water neutralized for reuse.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We consider ongoing stakeholder engagement an important activity to develop effective management strategies and pursue sustainable business practices.

Our approach to stakeholder engagement is to ensure that we have a good understanding of the key stakeholder concerns and expectation to develop practical business and sustainability strategies. We identify and prioritize based on the potential impact of our business on stakeholders or potential to affect our business through their views and action.

Our ongoing interaction and engagement with our customers, employees, regulators, suppliers, investors, and communities provide necessary insights to our materiality assessment in determining the most material ESG factors for sustainability reporting. We have attempted to address our stakeholders' expectations and concerns by including relevant material topics and disclosures throughout this Sustainability Report.

A summary of our stakeholder engagement across the Major Subsidiaries is presented below.

Stakeholders	Engagement methods	Key topics and concerns	How we meet expectations
Customers	Regular meetings and visits, marketing activities, website, purchase agreements and ongoing telecommunication.	Provide high-quality products and reliable service, competitive prices, on-time delivery, compliant products, and protection of intellectual property.	Proactive customer service policy, stringent quality control processes, ensuring relevant international product certifications, compliance with applicable regulations, and securing necessary certification from Original Equipment Manufacturers.
Employees	Regular team meetings, training workshops, standard operating procedures (SOPs), performance appraisals, emails and company events.	Stable employment, safe and conducive work environment, rewards and recognition for performance, personal development, and employment benefits.	Fair and transparent human resource policies, regular training, performance indicator incentives, performance appraisal and rewards.
Suppliers and vendors	Regular meetings and visits, audits, request for quotation and purchase orders.	Fair payment terms, reasonable lead time, reasonable price and business growth.	Provide clear specification, prompt payment and fair payment term.

SUSTAINABILITY REPORT

Stakeholders	Engagement methods	Key topics and concerns	How we meet expectations
Government and regulators	<p>Newsletter, notification, email, website, licensing and permits.</p> <p>Regular discussion with relevant agency, meeting with auditor/inspector, email, telecommunication and Sustainability Report.</p>	<p>Regulatory compliance with environmental, safety and health regulation, employment law and other applicable law.</p> <p>Cooperation during audit, inspection and when information is sought.</p>	Implementing policy and procedure to comply with regulation, and keeping updated with latest regulation.
Community	Community initiative, website, and Sustainability Report.	Responsible company, good corporate citizen and offer employment opportunities.	Ensuring safe manufacturing and distribution operation, ISO 14001:2015 certification for environmental protection and ISO 45001:2018/bizSAFE certification for health and safety.
Shareholders and investors	Annual General Meeting, Board meeting, annual report and update on AP Oil website.	Corporate governance, timely communication and update, financial performance, profit and dividend.	Good corporate governance, competent management team, annual reports, timely update and disclosure through the Singapore Exchange.

Membership of Associations

We actively engage and network with various trade associations through memberships.

Some of our important memberships by our Group companies include the following:

- Asian Lubricant Manufacturers Union
- Singapore Business Federation
- Food & Beverage Management Association
- Restaurant Association of Singapore
- Singapore Chef's Association
- Association of Catering Professionals Singapore

SUSTAINABILITY REPORT

SUSTAINABILITY STRATEGY

Our sustainability strategy is to create value for society including our customers, employees, the environment, communities and shareholders.

Our approach is rooted in APOIL corporate culture that promotes diligence, sincerity, loyalty and harmony. As the leading lubricants and speciality chemicals manufacturer and supplier, we have adopted international standards in the environmental, occupational health and safety, and product quality management. Our facilities have obtained ISO 14001 and ISO 45001/bizSAFE certification that reflect commitment to protecting the environment and ensuring health and safety of our people.

We have conducted a comprehensive review of our sustainability approach, carried out a materiality assessment to reassess the environmental, social and economic impact, risks and opportunities. The focus is on the significant impact of respective business on the economy, environment and communities and how these impact shape stakeholders' views on the companies.

APOIL considered corporate values and long-term business goals, prioritized the most important topics based on their potential impact, risks and opportunities and the potential effect on the stakeholders.

Board Statement

APOIL is committed to carry out its business activities in a socially and environmentally responsible manner. The Group is committed to deliver world-class quality products and services to meet customers' ever-changing requirements.

The Board considered sustainability issues in strategy formulation. The Board has determined and endorsed the material ESG factors included in this report. The Board also provides oversight of the Management; and monitoring of the material ESG factors, identified by the Committee, through periodic review of the sustainability performance.

SUSTAINABILITY REPORT

Material ESG Factors

The material ESG factors occurring in the Major Subsidiaries and the extent of involvement is presented below.

Material ESG Topics	Group Involvement
ENVIRONMENT	
Energy	Direct
GHG emissions	Direct
Waste	Direct
Water	Direct
Wastewater	Direct
Environmental Compliance	Direct
PEOPLE	
Employment	Direct
Attracting and Retaining Talent	Direct
Diversity	Direct
Employee Training and Development	Direct
Occupational Health and Safety	Direct
CUSTOMERS	
Customer Health and Product Safety	Direct
Marketing and Labelling	Direct
COMMUNITY	
Local Communities	Direct
ECONOMIC PERFORMANCE	
Economic Performance	Direct & Indirect
Anti-corruption	Direct
Socio-economic Compliance	Direct

ESG Goals and Targets

In this Sustainability Report, the ESG performance data for the past three years are reported. Our broad goal is to minimize the potential risk and impact of our business on the environment, people and communities. We have presented our sustainability goals in this report.

SUSTAINABILITY REPORT

Management Systems

We benchmark our sustainability management practices against international standards. Our commitment to quality, health and safety and environmental management is reflected in the certification received by the Group. Some of the more important certification includes:

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018
- bizSAFE Level Star

Sustainability Governance

Sustainability is governed at the Board level of APOIL. The Board guides Management on addressing critical environmental, social and governance issues.

The Board is assisted by the Sustainability Committee headed by the Group Chief Executive Officer. The Committee includes representatives from the Major Subsidiaries. A cross-functional team has the responsibility for collecting and verifying performance data for the material ESG factors. A project coordinator assists the Group Chief Executive Officer in steering the process for the Sustainability Report.

ENVIRONMENT

Our approach is to minimize the potential environmental impact, risk and hazard associated with our operations.

As a leading lubricant and speciality chemicals business, we recognize environmental management and resources conservation as integral to our business. Our environmental policy is to ensure continual improvement in managing significant impact and to meet all environmental legislation that relate to the company.

Our facilities are certified to the ISO 14001 Standards which provides a sound basis to build our environmental efforts. We are committed to demonstrating our continual improvement by reducing resources consumption, ecological risks and wastage.

Our periodic environmental review aims to identify material aspects, associated environmental impact, risks, hazards and opportunities with regard to the related operations. The process includes a comprehensive risk assessment covering air pollution and emission, water contamination, hazardous and non-hazardous wastes, resource depletion, noise and odor, and potential hazards.

Our environmental efforts focus on energy, pollution and emissions, water, waste, chemical and oil spills, and paper. Based on the systematic review, we establish goals and targets for the most material environmental topics.

We regularly review our environmental performance to assess the effectiveness of our policies and programs. The environmental data presented in this report refers to the Singapore-based facilities belonging to the Major Subsidiaries.

SUSTAINABILITY REPORT

Energy

We use electricity for lighting and operating plant equipment, fuel in our vehicles and forklifts. Our policy is to minimize energy consumption and to reduce our impact on the environment whilst striving to achieve operational cost efficiency.

When procuring, we consider the energy efficiency of equipment at the time of purchase. This focus transcends throughout the business to the micro level of using energy efficient light bulbs to minimize consumption.

Through ongoing awareness programmes, we encourage our employees to adopt energy conservation habits. The habits that we promote include turning off the equipment when not in use, regular maintenance of the machine, switching off lights before leaving meeting rooms and other work areas, setting the airconditioned temperature to a comfortable 23-25 degree Celsius, and keeping the doors and windows of airconditioned rooms closed at all times.

We monitor our energy usage to identify opportunities for reduction.

Greenhouse Gas (GHG) Emissions

We support the Paris Agreement to mobilise global efforts for limiting the temperature rise to below 2°C from pre-industrial levels to mitigate the risks of climate change. We are committed to reducing the carbon footprint of our business activities.

The GHG emissions resulting from our operations can be attributed mainly to the use of electricity, diesel and petrol consumption. Our policy is to optimize the use of these energy sources to reduce our carbon footprint. We currently measure and monitor our carbon dioxide emissions under scope-1 and scope-2 as set out in the GHG Protocol.

Our carbon emissions footprint is presented below:

Carbon Dioxide (CO2) Emission	2018	2019	2020
Mobile	86	94	78
Stationary	45	42	41
Scope 1	131	136	119
Purchased Electricity	178	210	214
Scope 2	178	210	214
Total	309	346	333

SUSTAINABILITY REPORT

Water

We use water for cleaning the vessels and general washing. Our approach is to conserve water by minimizing the use and recycling or reusing when practical.

In Singapore, we buy water from Public Utilities Board, the national agency responsible for ensuring a sustainable and efficient water supply.

We have implemented several water conservation measures. These measures include water-saving devices, recycling water in cooling systems, and minimizing use of water in washing. We ensure water pipes and valves are adequately maintained, and leaks are promptly repaired.

We have also implemented the necessary measures to prevent accidental contamination of water due to unintentional chemical and oil spills.

We measure and monitor our water usage to assess our performance together with other environmental metrics.

Wastewater

Wastewater is generated in our chemicals manufacturing facilities as a result of washing or cleaning of vessels. We dispose of wastewater through licensed contractors in accordance with the local regulations.

Waste Management

Our policy is to reduce, reuse and recycle waste to minimize the impact on the environment as well as to improve our resource efficiency.

Waste generated in our facilities includes both hazardous and non-hazardous waste. The primary sources of hazardous waste from our operations include chemical waste such as cleaning solvents, additives, lubricants, oils, greases and paints, contaminated cleaning wipes, chemical containers, steel drums, plastic containers, batteries from forklift trucks, wooden pallets, carton boxes and packaging material, and general office waste.

To reduce waste, we focus on minimizing wastage of production raw materials by ensuring that the final product specifications are correct.

We have implemented procedures for segregating waste by source of generation and by type. We store waste in designated and clearly marked areas. All hazardous waste is appropriately sealed or enclosed to prevent accidental spillage or contamination. We ensure safe disposal of waste by engaging licensed waste management contractors.

We recycle and reuse steel drums and plastic containers. Rejected drums and containers are returned to respective vendors for recycling or safe disposal. Wooden pallets are reused in our facilities as long as they are serviceable after which they are disposed of as general waste. Waste carton boxes are reused for packaging or sent for recycling by contractors.

Chemical Spill

Handling of chemicals and oils involves risk of a spill that may cause water contamination and hazardous waste. Our target is zero spill to land or drainage by taking preventive measures and ensuring emergency reachness.

SUSTAINABILITY REPORT

We place dispersants and spill control kits at designated points to manage accidental spills. The production and engineering department are responsible to ensure spill kits are always ready and accessible. We have implemented yearly chemical and oil spill drill to enable our people to respond quickly and safely in the event of a spill and to minimize the damage to the environmental. There was no incident of a significant spill in the reported period.

Employee Awareness

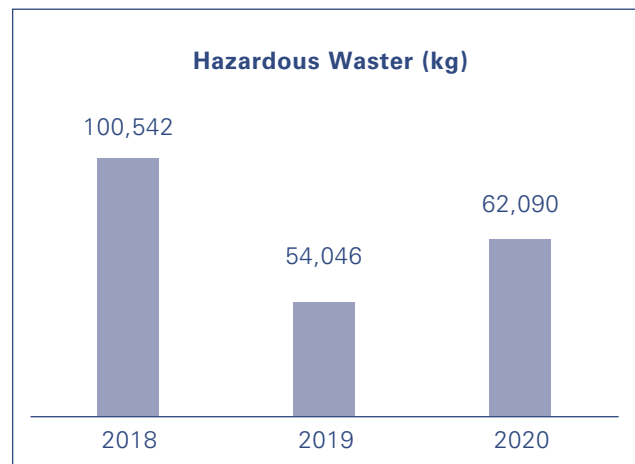
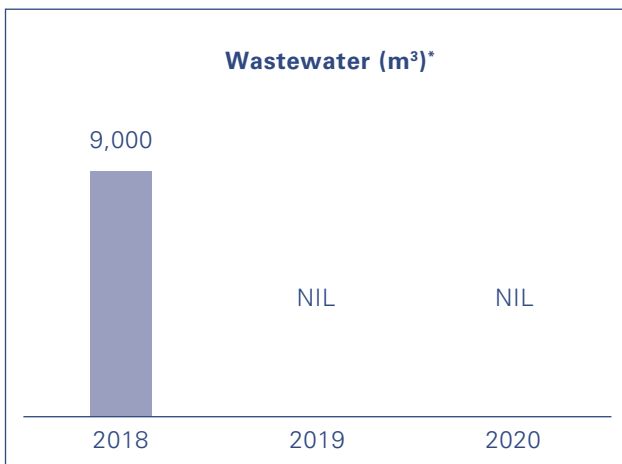
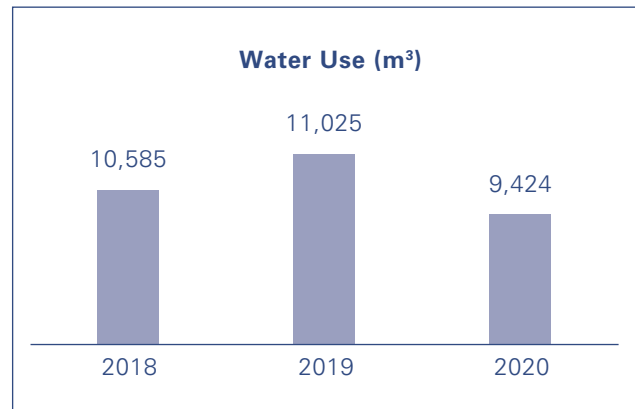
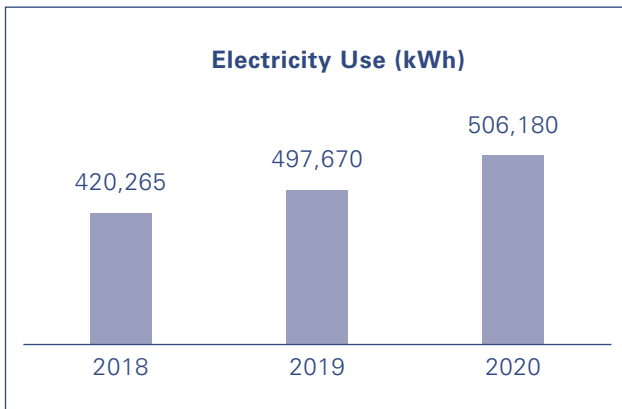
We believe employees can play a crucial role in preventing and managing environmental risks. We have an ongoing employee education program to promote environmental awareness. The production and engineering departments periodically review work instruction and method to minimize hazard.

Environmental Compliance

The Group is committed to complying with applicable environmental regulations as well as international standards which we subscribe. Our target is to have zero incidents of non-compliance. Our production and engineering department has implemented a comprehensive environmental control program and regularly inspects the sites for potential pollution or impact.

There were no incidents of non-compliance with environmental laws in the reported period.

Environmental Performance



* NIL balances in 2020 and 2019 due to waste water being recycled and neutralized for reuse.

SUSTAINABILITY REPORT

PEOPLE

We are committed to developing human capital by attracting and retaining passionate talent and building a culture of learning, diligence, sincerity, harmony and teamwork.

Our people play a crucial role in building our ability to deliver world-class products and services to our customers. Our policies are designed to attract, retain and develop passionate and talented people.

Diligence, devotion, loyalty, harmony and teamwork are parts our corporate values. These values have enabled APOIL to overcome challenges and to grow in the past decades and emerge as one of the leading lubricant and specialty chemical specialists in the Asia Pacific.

Our most significant workplace topics include occupational health and safety, diversity, employee development, performance management and well-being of our employees. We regularly review the effectiveness of our human resource policies.

The employee data provided in this report covers the Singapore operations of the Major Subsidiaries.

Employment

As at 31 December 2020, we employed 111 people in Singapore, was 109 in the prior year. Production, clerical and other non-executive positions accounted for 43% of our workforce.

Diversity

We believe workplace diversity enrich our decision making and enable us to serve diverse markets and customers more effectively. We seek to build and promote a diverse and professional talent pool. Our human resource policies support an equal opportunity for all based on merit. Our workforce includes different nationality to make it culturally diverse.

In 2020, women represented 32% of our workforce even though it was challenging to attract women employees to the chemicals manufacturing operation. Women held 24% of supervisory and managerial jobs, and 38% of the Head of Department position.

Hiring

Our policy is to hire on merit and qualification. In 2020, we hired 25 new employees, 9 were women; 32% were below the 30 years age group; 64% in the 30 to 50 years age group and 4% was above 50 years of age.

Training

Our policy is to encourage ongoing training to ensure our employees have the required skills to serve our customers efficiently. We provide both in-house and external training opportunities to our employees.

SUSTAINABILITY REPORT

Employee Engagement & Benefits

We follow the open door policy where employees have access to Management to discuss their concerns and ideas. We actively engage our people through their participation in the environmental health and safety committee; ongoing safety briefing sessions and environmental awareness campaign. Employees are also engaged through communication such as internal memos, notice boards and emails. Our permanent staff members enjoy an array of benefits and competitive wages.

Performance Management

We drive performance by promoting teamwork, encouraging open communication, and providing regular feedback. We periodically assess the performance and skills of our employees to ensure suitable rewards, promotions and personal development.

We have implemented a performance management system across the Group that covers all permanent employees. Employees participate in performance appraisal to assess and discuss their performance.

Employee Turnover

Our policies are aimed at retaining talent. Retention strategies include competitive benefits, attractive rewards, opportunities for learning and growth; and providing a respectful working environment.

In 2020, the employee turnover was 20%, was 21% in 2019.

2020 employee departure were:

Subsidiary	Employee Departure			
	2019	2019	2020	2020
	Male	Female	Male	Female
AP Oil	8	4	9	8
A.I.M. Chemical	2	1	0	0
GB Chemicals	7	1	3	2

Health and Safety

Employee safety is a top priority. We are committed to providing a healthy and safe workplace for our people. Our occupational health and safety policy is to minimize health and safety risks arising from our workplace. Our goal is zero injury in the workplace.

Our facilities maintain ISO 45001/bizSAFE certification reflecting our commitment to ensuring health and safety of our people. The senior management reviews our health and safety performance on a monthly basis.

Our Group have established workplace safety and health (WSH) committee in each Major Subsidiary, chaired by the respective managing director or chief executive officer, with representative from various functions. The Committee meet regularly to review safety performance and develop improvement plans.

SUSTAINABILITY REPORT

From the comprehensive safety risk assessment, we have implemented measures to prevent injuries and accidents. Routine maintenance of machinery and equipment is an essential part of our safety management.

Our employees receive ongoing safety training and briefing. Employees in production are required to use appropriate personal protective equipment when carrying out various tasks.

We are working toward improving worksite design and removing risk factors that lead to musculoskeletal injuries and allowing for improved human performance and productivity.

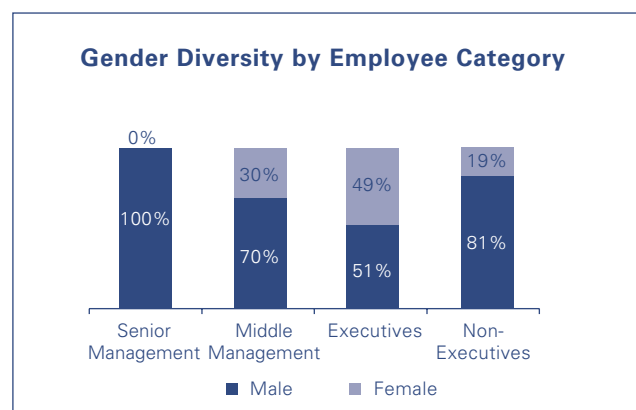
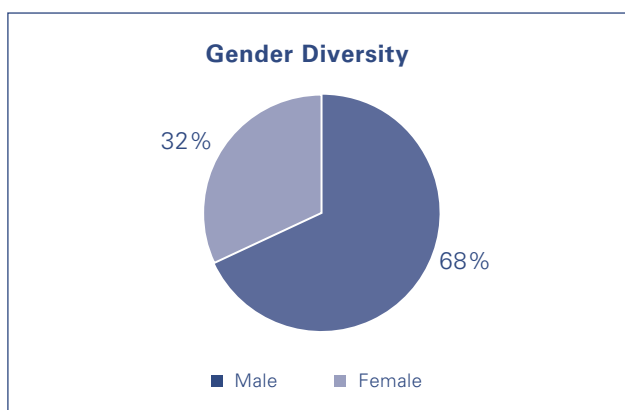
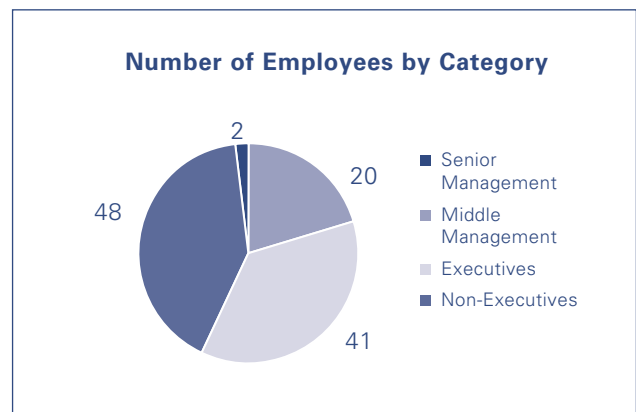
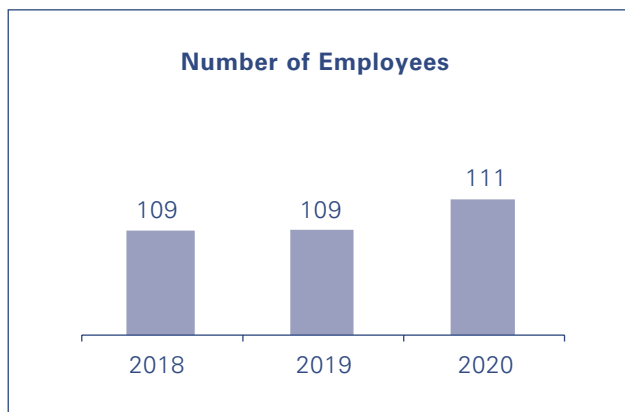
There were no fatal accidents, and no incidents of occupational disease in 2020.

Human Rights

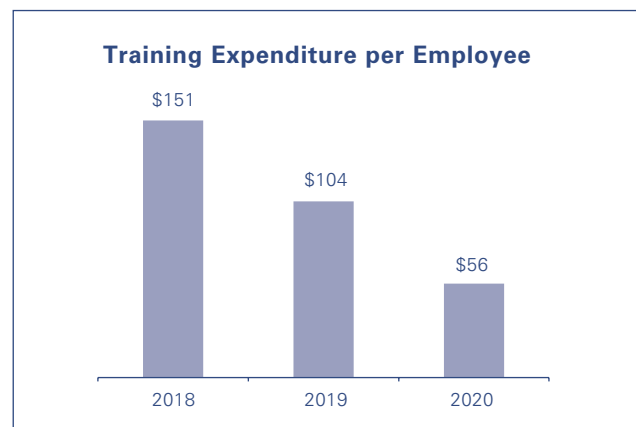
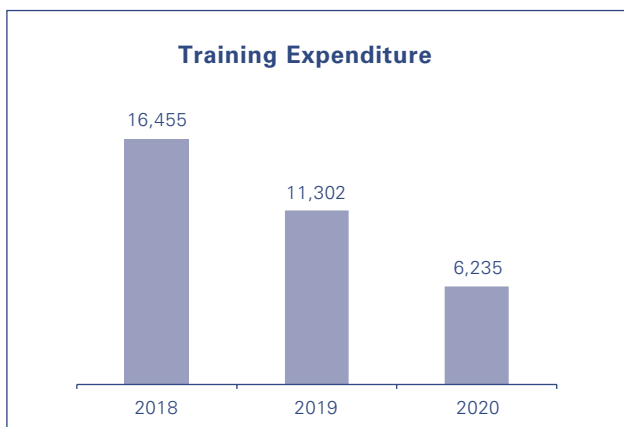
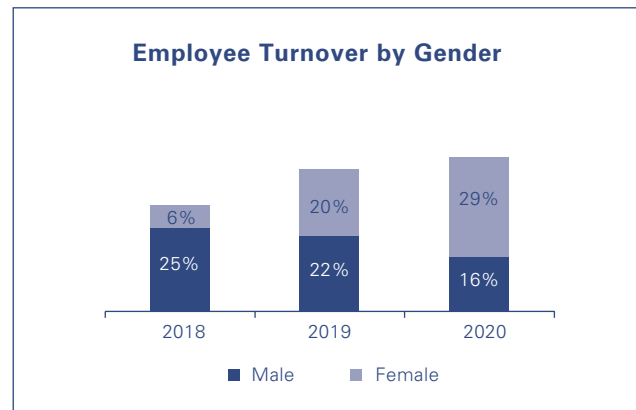
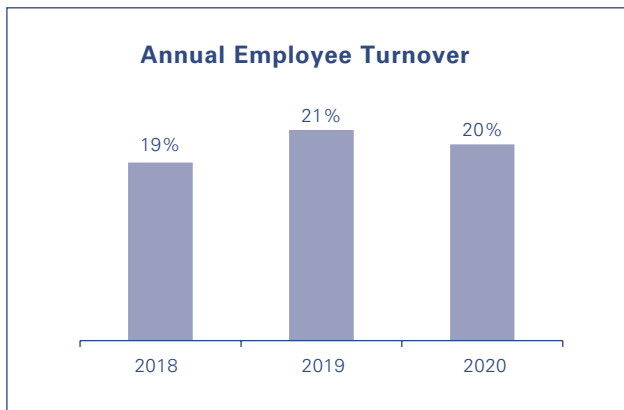
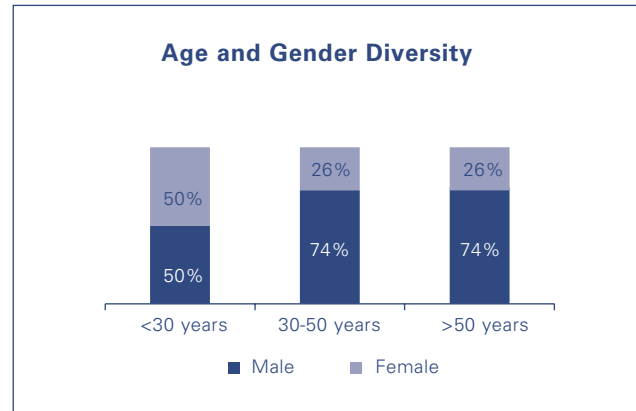
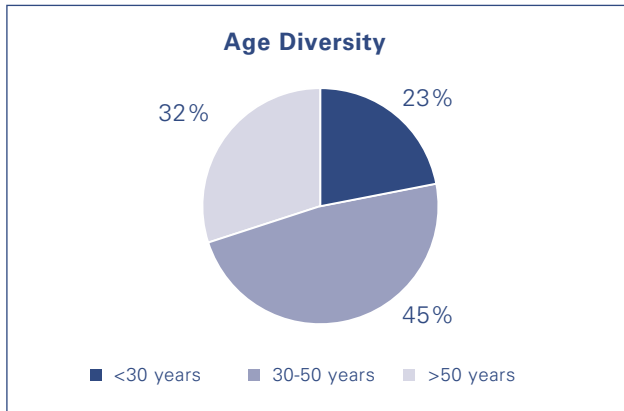
We are committed to respecting the rights of our people as provided for in the national laws and internationally recognized principles. Our policies prohibit child labor, forced labor and discrimination. We respect our employees' right to freedom of association and collective bargaining. We do not have collective bargaining agreement with a union.

There were no confirmed incidents of child labor, forced labor or discrimination in the reported period.

People Performance



SUSTAINABILITY REPORT



CUSTOMERS

We are committed to providing products and services of world-class quality to our customers.

As a leading lubricants and specialty chemicals supplier in the Asia Pacific, we focus on strict quality management to meet and even exceed customers' expectation. Our organization is certified to ISO 9001 standards to ensure consistent quality of our management processes.

SUSTAINABILITY REPORT

There is a growing concern on the safe use of chemicals and the potential impact of chemicals manufacturing and transportation on health and safety of people and the environment. Ensuring product safety, the safety of our people and communities, and protecting the environment are top priorities of APOIL.

Our facilities are certified to the ISO 14001 and the ISO 45001/bizSAFE to assure customers that our products are made in the environmentally responsible manner and by adhering to international and national safety standards. We adopt an integrated approach to quality, safety and environmental assurance to all our products and services to ensure consistency in performance.

Our AP products are formulated and quality controlled to meet standards and specifications of international institutions such as API, SAE, ISO, NLGI, DIN, JASO, ACEA, and ASTM.

We also obtained certification from major Original Equipment-Manufacturers, including Daimler Chrysler, MB, MACK, Volvo, Renault and MTU.

Our laboratories are well equipped with advanced equipment capable of providing comprehensive technical assurance and services.

We regularly engage our customers through formal and informal methods to seek their feedback to improve our customer service.

Through training and conferences, we share knowledge and technical specification with our customers.

On request, we can provide MSDS, name, manufacturer, batch code and product specification for the products sold. Bulk of our products are classified as non-Dangerous goods. For assurance of product quality, we are ISO 9001:2015 certified.

There were no incidents of non-compliance concerning the health and safety of our products in 2020.

Research and Development

We invest in research to develop innovative solutions for customers and to provide superior quality products. We have five laboratories, four in Singapore and one in Vietnam, for R&D and quality assurance. Two of our laboratories are equipped with Inductively Coupled Plasma Atomic Emission Spectrometers for the analysis of metal elements to enhance research and development capability.

Our R&D team comprising qualified chemists and engineers focus on upgrading the quality of existing products, and formulate new products to meet the evolving market demand.

R&D activities concentrate on developing customised lubricants for specific customer needs and improving the operational efficiency and cost-effectiveness. Product innovation and upgrading in specialty chemicals are other areas of our applied research.

Our marketing and technical service teams work closely with customers to identify areas of improvement. The insights gained from customer engagement helps our R&D team to improve or design and formulate new products to meet customers' unique requirements.

SUSTAINABILITY REPORT

Suppliers

We work closely with our suppliers to ensure quality and timely delivery. Our significant purchases mainly include raw materials and packaging materials.

COMMUNITY

APOIL is committed to be a responsible corporate citizen, to minimize the impact of our business operations on the community and the environment. We ensure our manufacturing plants adhere to strict environmental health and safety standards to protect our employees and the neighboring communities.

ECONOMIC PERFORMANCE

We are committed to creating long-term sustainable value for our shareholders and stakeholders.

Our detailed financial performance is provided in the Annual Report under the financial statements. A summary of our economic performance, extracted from our financial statements, is provided below in line with the GRI Standards.

FINANCIAL PERFORMANCE INDICATORS (\$'000)			
	FY2018	FY2019	FY2020
Revenue	78,378	62,841	57,149
Profit After Tax	2,006	2,348	2,153
Employee benefits	6,563	7,065	6,711
Income tax expense	79	452	357
Dividends declared	823	1,234	823

Anti-Corruption

We are committed to conducting our business by adhering to the highest standards of ethics and integrity and in compliance with applicable laws. We have a zero-tolerance policy toward corruption or bribery. Our policy prohibits offering or receiving any bribes in any form.

There were no incidents of corruption or bribery involving our Group in the reported period.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number(s) and/or URL(s)
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI102: General Disclosures 2016	Organisational Profile	
	102-1 Name of the organisation	AP Oil International Limited
	102-2 Activities, brands, products, and services	AR
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	Back Cover
	102-5 Ownership and legal form	128-129
	102-6 Markets served	1
	102-7 Scale of the organisation	138
	102-8 Information on employees and other workers	148-151
	102-9 Supply chain	153
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	138, 144
	102-12 External initiatives	140-141
	102-13 Membership of associations	141
	Strategy	
	102-14 Statement from senior decision-maker	140-142
	Ethics and Integrity	
102-16 Values, principles, standards, and norms of behaviour	3-4	
Governance		
102-18 Governance structure	18-49	

SUSTAINABILITY REPORT

General Disclosures		
	Stakeholder Engagement	
	102-40 List of stakeholder groups	140-141
	102-41 Collective bargaining agreements	150
	102-42 Identifying and selecting stakeholders	140-141
	102-43 Approach to stakeholder engagement	140-141
	102-44 Key topics and concerns raised	140-141
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	101, 103
	102-46 Defining report content and topic Boundaries	138
	102-47 List of material topics	143
	102-48 Restatements of information	139
	102-49 Changes in reporting	138
	102-50 Reporting period	138
	102-51 Date of most recent report	1 April 2021
	102-52 Reporting cycle	138
	102-53 Contact point for questions regarding the report	Back Cover
	102-54 Claims of reporting in accordance with the GRI Standards	138
	102-55 GRI content index	154-158
	102-56 External assurance	138
Economic performance		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	139, 153
Anti-corruption		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	153

SUSTAINABILITY REPORT

General Disclosures		
Energy		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 302: Energy	302-1 Energy consumption within the organization	139
	302-3 Energy intensity	139
Water		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 303: Water	303-1 Water withdrawal by source	139
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 305: Emissions	305-1 Direct (scope 1) GHG emissions	145
	305-2 Energy indirect (Scope 2) GHG emissions	145
Effluents and waste		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 306: Effluents and waste	306-1 Wastewater discharge by quality and destination	139
	306-2 Waste by type and disposal methods	139
	306-3 Significant spills	147
Environmental compliance		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations.	147

SUSTAINABILITY REPORT

General Disclosures		
Employment		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 401: Employment	401-1 New Employee hires and employee turnover	148-151
Occupational health and safety		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 403: Occupational health and safety	403-1 Workers representation in formal joint management-worker health and safety committees	149
	403-2 Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities.	139, 150
Training and education		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 404: Training and education	404-1 Average hours of training per year per employee	139, 148, 151
Diversity and Equal Opportunity		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143
	103-2 The management approach and its components	138
	103-3 Evaluation of the management approach	138
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	139, 148, 151

SUSTAINABILITY REPORT

General Disclosures		
Local communities		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	143, 153
	103-2 The management approach and its components	138, 153
	103-3 Evaluation of the management approach	138, 153
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments, and development programs	153
Customer Health and Safety		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	151-152
	103-2 The management approach and its components	151-152
	103-3 Evaluation of the management approach	151-152
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of products and services categories	151-152
	416-2 Incidents of non-compliance concerning the health and safety of products and services	152

AP OIL INTERNATIONAL LIMITED

Registration No. 197502257M

IMPORTANT:

1. The Annual General Meeting (the "Meeting") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of Meeting has been published on 9 April 2021 on the SGX website and the Company's website at apoil.com.sg.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("Live Webcast"), submission in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying section entitled "Important Notice to Shareholders" of the Notice of AGM. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of the Notice of AGM in respect of the AGM.
3. Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.
4. For investors who have used their CPF monies and/or SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. CPF and/or SRS investors who wish to vote should contact their CPF and/or SRS Approved Nominees to submit their voting instructions by 2.30 p.m. on 19 April 2021.
6. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in this proxy form.
7. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Meeting.

ANNUAL GENERAL MEETING PROXY FORM

I/We _____ NRIC/Passport No./Registration No. _____

of _____
being a member(s) of **AP Oil International Limited** (the "Company"), hereby appoint the Chairman of the Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the **2021 Annual General Meeting** of the Company ("Annual General Meeting") to be held via Live Webcast on 28 April 2021 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated hereunder.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

No.	Resolutions	For**	Against**	Abstain**
1	Adoption of the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2020, together with the Auditor's Report thereon			
2	Declaration of a final exempt (one-tier) dividend of 0.50 cent per ordinary share for the year ended 31 December 2020			
3	Re-election of Mr Mah How Soon (Ma Haoshun) as a Director of the Company.			
4	Re-election of Mr Wan Kum Tho as a Director of the Company			
5	Re-election of Mr Chang Kwok Wah as a Director of the Company			
6	Approval of the payment of Directors' fees of S\$135,000 for the financial year ended 31 December 2021, payable half-yearly in arrears			
7	Re-appointment of Messrs RSM Chio Lim LLP as the Auditors of the Company and authority to Directors of the Company to fix their remuneration			
8	Proposed Share Issue Mandate			

Notes:

* Delete accordingly

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "X" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "X" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Signed this _____ day of _____ 2021

Total No. of Shares in	No. of Shares
C&P Register	
Register of members	

Signature or Common Seal of shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. A member (whether individual or corporate) may appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. This proxy form is available on the SGX website.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

3. Any member who is a relevant intermediary is entitled to appoint the Chairman of the Meeting to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting). Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - a) if by post, to the Share Registrar of the Company, Tricor Barbinder Share Registration Services, 80, Robinson Road, #11-02, Singapore 068898; (Opening Hours is 9 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays)); or
 - b) if sent by email to email address interns1@apoil.com.sg

in either case, at least 48 hours before the time fixed for the Annual General Meeting, ie 2.30 p.m. on 26 April 2021.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or sending it by email to the email address provided above.

5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2021.

CORPORATE INFORMATION

集团资讯

Company Secretaries

Mr Lau Tai Chong, BACC
Mr Chang Kwok Wah, MBA

Registered Office

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Email: enquiry@apoil.com.sg
Website: www.apoil.com.sg

Registrar

Tricor Barbinder Share Registration Services
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Singapore 068898

Auditors

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Public Accountants and Chartered Accountants
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04-08 Wilkie Edge
Singapore 228095

Principal Bankers

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DBS Central @ Marina Bay Financial Centre Tower 3
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