creating

ALL POSSIBILITIES

regionally & globally

環球石油常年報告

ANNUAL REPORT 2017

AP OIL INTERNATIONAL LIMITED

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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 chemical supplier in Asia Pacific, marketing to over 20 countries, including New Zealand, Australia, China, India and ASEAN countries etc.

VISION

To be a reputable global leader in the lubricant and specialty chemical industry, delivering world class quality products and services to meet ever changing market requirements.

MISSION

To deliver world class quality products and best service meeting customer's ever changing 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 a 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 lubricant and specialty chemical specialists in the Asia Pacific.

勤奋努力和拼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。

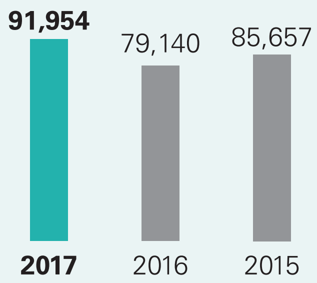
公司上下全体同仁协作无间，与业务伙伴融洽协作，尤其真诚地礼待顾客，力求为他们提供最优质的服务。

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。

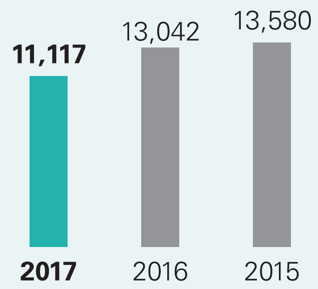
回望过去十年，它令集团受益无穷，使我们得以克服困难、茁壮成长，成为亚太地区领先的润滑油和特种化学品专家级企业之一。

GROUP FINANCIAL HIGHLIGHTS
集团财务摘要

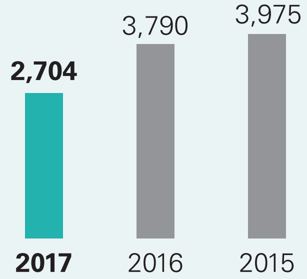
REVENUE (S$'000)



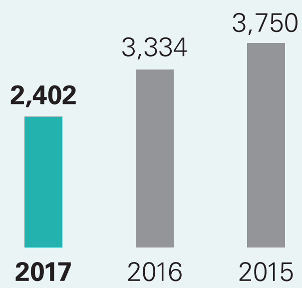
GROSS PROFIT (S$'000)



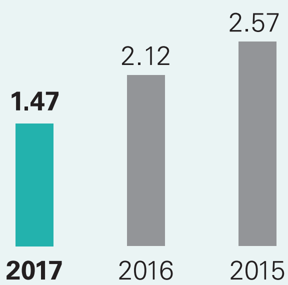
PROFIT BEFORE TAX (S$'000)



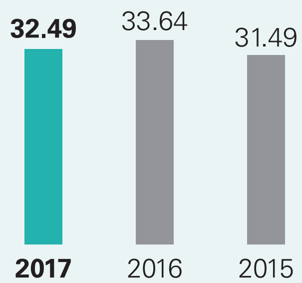
NET PROFIT AFTER TAX (S$'000)



EARNINGS PER SHARE (cents)



NET ASSET PER SHARE (cents)



	2017	2016	2015
Revenue (S$'000)	91,954	79,140	85,657
Gross Profit (S$'000)	11,117	13,042	13,580
Gross Margin (%)	12.1	16.5	15.9
Profit Before Tax (S$'000)	2,704	3,790	3,975
Net Profit After Tax (S$'000)	2,402	3,334	3,750
Net Margin (%)	2.6	4.2	4.4
Earnings Per Share (cents)	1.47	2.12	2.57
Net Asset Per Share (cents)	32.49	33.64	31.49
Ordinary Shares	164,531,172	164,531,172	164,531,172

CHAIRMAN'S MESSAGE
主席献词

Dear Shareholders,

After years of effort, our products have entered the India and Australia markets in FY 2017, bringing the total number of countries served on our marketing map to more than 20.

Businesses of the two China subsidiaries, namely AP Oil Singapore (Shanghai) Limited and AP Oil Singapore (Chongqing) Limited, and the Joint Venture, Chongqing Zongshen Financial Leasing Co., Ltd, are growing steadily. The China market remains the Group's focus in the medium and long-term development. Apart from organic growth, the Group has been in contact with several business parties to explore collaboration possibilities and acquisition opportunities. As this process is lengthy and time consuming, I shall continue to be personally involved in it.

Succession plan for second generation leaders is progressing well at the Group level, its established subsidiaries and the Joint Venture in Vietnam, AP Saigon Petro JSC. My effort and time shall also be diverted to the nurturing and mentoring of new executives to support the business.

In preparation for future business growth, we are planning for expansion of existing facilities. In the last couple of years, we have been working closely with Jurong Town Corporation on the lease extension of our waterfront plant at 18, Pioneer Sector 1, and looking at alternative site for relocation. The Group is also in the process of exploring opportunities to expand our manufacturing facilities overseas.

I am pleased to announce that the Board of Directors has proposed a final dividend of S$0.50 cents per ordinary share in cash for FY 2017. I sincerely thank all shareholders for the years of continued support.

Best Wishes

Dr Ho Leng Woon
Chairman

CHAIRMAN'S MESSAGE
主席献词

敬爱的各位股东 ：

经过多年努力，我们的产品已在 2017 年成功打入印度和澳大利亚，使在集团的市场版图上出现的国家总数超过了 20 个。

新成立的两家中国子公司即星环润滑油（上海）有限公司和新环润滑油（重庆）有限公司以及合资企业重庆宗申金融租赁有限公司的业务正稳步发展。从集团中长期计划方针来看，中国市场仍然是我们聚焦的发展重心。除有机增长外，集团一直都在寻找适当的业务伙伴，积极探讨合作的可能性及并购机会。这是耗时费劲的长跑路程，我将不遗余力地亲自参与其中。

自从二年前集团新总裁接棒后，我很欣慰看到新团队，满怀信心，干劲十足。集团的主要子公司以及联营企业的第二代领导人的培养及物色工作也进行顺利。此外，我也会肩负起培养与指导新的中层管理人员尽早融入集团的企业文化后发挥更大的潜能，以支持企业的持续发展。

为了筹备应对未来的业务发展，集团已有计划扩充及增建厂房与生产设备。过去几年，我们一直与裕廊集团(JTC)保持密切联系与沟通，以延长在先驱路的工厂与码头地段的使用期。同时也不断物色可供搬迁的地点。在海外增建生产设施以减低成本也是将来集团发展的目标方向。

最后，我谨代表董事会宣布，2017 年财年最终股息为每股普通股 0.50 分现金股息。本人衷心感谢全体股东多年来一如既往的支持。

祝福各位！

何能恩博士
集团主席

CEO'S MESSAGE
执行总裁献词

Dear Shareholders,

It has been an eventful year for AP Oil International Limited (the "Group"). Amidst the prolonged depression in the oil sector and continued headwinds in FY2017, there were some pleasing highlights.

Growing Revenue

The oil sector remained challenging in FY2017 and per unit selling prices continued to be lower compared to FY2015 and FY2016. In the face of the macro environment putting pressure on gross margin, the Group persisted in increasing sales volume to gain efficiencies. As such, FY2017 revenue grew 16% to S$92 million mainly from higher manufacturing and trading volume.

Industry Partnerships

In June 2017, the Group entered into a supply agreement with Puma Energy to blend lubricants for the Puma brand as it rapidly expands across the Middle East and Asia. Puma Energy is a US$12 Billion (2016 Revenue) company, a subsidiary of trading giant, Trafigura. We are blessed to be recognised and be in partnership with a dynamic and ambitious company. The AP Oil team is looking forward to learning from Puma as we participate in their growth.

Industry Leadership

The Asian Lubricant Manufacturers Union ("ALMU") was formed in December 2017. This new organisation is the counterpart to the Independent Lubricant Manufacturers Association representing North America, Union of the European Lubricants Industry representing Europe, and the Shanghai Lubricant Traders Association representing China. We are grateful to be invited to Chair the Inaugural Council of the ALMU. The Council was formally announced and appointed on 6 March 2018.

Tacking Against the Wind

FY2017 has seen major marine lubricant competition implementing a broad based low pricing strategy in the port of Singapore. Coupled with the internationally weak shipping industry, this has had an impact on our gross profit. We expect these conditions to continue into 2018. The marine lubricant segment is still regarded a key segment to our core business, we will continue to guard our position in this space.

On behalf of the Board of Directors, Management and Staff of the AP Oil Group, I would like to thank our customers, shareholders, business partners, bankers and suppliers for your strong and steadfast support in FY2017.

Thank you and I look forward to meeting our shareholders at the forthcoming Annual General Meeting.

Mr Ho Chee Hon
Group CEO

CEO'S MESSAGE
执行总裁献词

各位股东：

对于环球石油有限公司（以下简称"集团"）而言，2017财年是不平凡的一年。于本年度，在石油行业长期萧条以及持续不利的环境下，集团业务仍有些亮点。

收入增长

在2017财年，石油行业仍然充满挑战，单位售价继续低于2015财年和2016财年。在面对宏观环境对毛利率造成压力的情况下，集团坚持通过销量增长来提升效率。因此，2017财年收入增长16%至9,200万新元，主要来自产量和交易量的增加。

业内合作

由于彪马能源在中东及亚洲迅速扩张，2017年6月，集团与彪马能源订立供应协议，为彪马品牌调配润滑油。彪马能源是一家营业额达120亿美元（按2016年收入计）的公司，为贸易翘楚Trafigura的子公司。能够得到这样一家充满活力而雄心勃勃的公司认可并与之合作，我们深感荣幸。环球石油团队期待在参与彪马发展的同时向彪马学习宝贵经验。

行业领导力

亚洲润滑油制造商联盟("ALMU")于2017年12月成立。这一新成立的组织是代表北美的美国独立润滑剂制造商协会、代表欧洲的欧洲润滑油行业联盟和代表中国的上海市润滑油品协会的对应单位。我们很荣幸的获邀担任ALMU的首任理事会主席。理事会于2018年3月6日正式宣布成立并获委任。

逆流而行

2017财年，船用润滑油竞争激烈，竞争对手在新加坡港口广泛实施低价策略。加上国际航运业表现疲弱，对我们的毛利造成了一定的影响。我们预计这一局面将在2018年持续。船用润滑油部门仍是我们核心业务的关键部门，我们将继续维持在该领域的地位。

在此，我谨代表环球石油集团的董事会、管理层同仁和全体员工，向客户、股东、商业伙伴、银行以及供货商们在2017财年给予我们的坚定支持致以最真挚的感谢。

期待在即将来临的股东大会上与各位股东会面。

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 directions 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 of Singapore (Shanghai) and AP Oil Singapore (Chongqing).

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, the University of Chicago. He is a member of the Society of Tribologists and Lubrication Engineers, USA. Before joining the company in 1981, 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 board of Anglican High school, The Chinese High School, Hwa Chong Institution and Hwa Chong Intl. School. He also has 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，交由何其泓先生担任，但仍担任集团执行主席。何博士除了主导集团的政策方针，企业计划外，也负责主导环球石油的研发。他兼任环球西贡石油联合股份公司、星环润滑油（上海）以及新环润滑油（重庆）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，何博士曾获新加坡政府聘任，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。他也曾任圣约翰救伤队第 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
Member, Remuneration Committee 薪酬委员会成员

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 the subsidiary, A.I.M. Chemical Industries Pte Ltd.

She is also on boards of the Group's major subsidiaries namely Alpha Pacific Petroleum (S), GB Chemicals, AP Oil Pte Ltd, etc. Ms Lau graduated from Nanyang University with a Bachelor of Arts Degree. Before joining the company, she worked in private firms and with Banque IndoSuez (Singapore) as a bank officer.

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。她也负责子公司 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（即 Alpha Pacific Petroleum（S）、GB 化工、环球石油私人有限公司）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，她曾在民营公司任职，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

Mr Chang was appointed to the Board of AP Oil in 2004 and is taking charge of risk management of the Group. He is Managing Director of the group's wholly owned 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.

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

曾先生于 2004 年被指任为环球石油的董事，负责统筹集团的风险管理。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 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

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

He is on the boards of the group's subsidiaries and associates, namely AP Oil Pte Ltd, A.I.M. Chemical, GB Chemicals, Alpha Pacific Petroleum (S), AP (Vietnam) Holding, AP Saigon Petro JSC, Heptalink Chemicals, AP Oil Singapore (Shanghai), AP Oil Singapore (Chongqing), etc.

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

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、Heptalink 化工、星环润滑油（上海）、新环润滑油（重庆）等。

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。

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 consultant at KPMG Services Pte Ltd and sits on the board of several public and private companies. Mr Quah has 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, Grindrod Shipping Holdings Pte. Ltd., Eurex Exchange Asia Pte. Ltd., Deutsche Boerse Asia Holding Pte. Ltd., Eurex Clearing Asia Pte. Ltd. and Primeur Group.

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、Grindrod Shipping Holdings Pte. Ltd.、Eurex Exchange Asia Pte. Ltd.、Deutsche Boerse Asia Holding 私人公司、Eurex Clearing Asia 私人公司和 Primeur 公司的董事。

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 and was appointed as Director on 31 Jan 2006. He is currently a partner of Shook Lin & Bok LLP, a Singapore law firm and has been with the 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伙人。

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。

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 service in 1983 and had been Managing Director of the company since 1992. A.I.M. became the Group's wholly-owned subsidiary in 2001, Mr Chang has since continued to serve as Managing Director. He plays a leading 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.

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。

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, which was 100% acquired by the Group in 2004. He is responsible for the company's overall management, planning and daily business activities. He also oversees the business development and looks after key accounts.

He has over 40 years of experience in the specialty chemical industry. He was 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。

KEY EXECUTIVES
子公司主管简介

MR SONG KOON POH 宋坤宝 先生
MANAGING DIRECTOR 董事总经理
Heptalink Chemicals Pte. Ltd.
Heptalink 化工私人有限公司

In January 2015, AP Oil International Ltd acquired 60% equity of Heptalink with other 40% held by Mr Song. As Managing Director, Mr Song is responsible for overall management and day to day operation of Heptalink. With more than 40 years experience, Mr Song is a veteran in various chemical trading arenas.

Mr Song joined Shell Bukom refinery in 1971 and was transferred to Shell Chemicals in 1984 where he started his career in sales and marketing of hydrocarbons/aromatics solvents and base chemicals. In 1987, he was deployed to develop the markets in South East Asia and India.

He moved to the Glycols business unit in 1989. In 1992, he was appointed styrene monomer product manager covering plant execution, marketing and sales in Asia Pacific and Middle East. Over his 9 years stint in managing the Styrene Monomer unit, his sales team were awarded Shell Chemicals global Champions of Excellence in 3 years' running (1999/2000/2001).

于 2015 年 1 月，环球石油有限公司收购 Heptalink 化工的 60% 股权，宋先生拥有其余的 40% 股权。身为董事总经理，宋先生负责主管打理 Heptalink 化工及其日常营运。他在化工业贸易界有逾 40 年资深的工作经验。

宋先生于 1971 年加入壳牌炼油厂，并于 1984 年转到壳牌化工，开始烃类 / 芳烃溶剂及化工品的销售和市场营销。他于 1987 年参与开发东南亚和印度市场。

于 1989 年，他转至乙二醇业务部。1992 年，他被任命为苯乙烯单体产品经理，负责亚太区和中东的工厂管理、市场营销和销售。在他长达 9 年投身苯乙烯单体装置管理中，他带领下的销售团队连续三年荣获壳牌化工全球卓越奖冠军（1999 年 /2000 年 /2001 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 over the functions of financial and management reporting, internal controls, treasury, tax, regulatory compliance, investment projects, financial systems and corporate secretariat.

Prior to joining AP Oil International Ltd, Mr Lau 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 Degree of Bachelor of Accountancy 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

JOINT VENTURES

In February 2017, the Company injected RMB25 million capital contribution to subscribe for the 12.5% of equity interest in a China company, Chongqing Zongshen Financial Leasing Company Limited.

As part of expansion in the lubricant business, the Company and Chongqing New Era Lubricant Co, Ltd jointly increased the share capital of the Joint Venture Company, AP Oil Singapore (Chongqing) Limited by RMB3 million, to paid up share capital of RMB5 million.

In March 2018, the Asian Lubricant Manufacturers Union (ALMU), an Asia-wide organization was launched, representing lubricant manufacturers throughout East Asia, South Asia, Southeast Asia and Oceania regions. The ALMU Council, chaired by Dr. Ho Leng Woon, Executive Chairman of AP Oil International Ltd, aims to be the principal voice of the Asian lubricant industry around challenges, namely, smarter regulation, advancement of manufacturing, protecting member interests, maintaining quality alongside speed to market and overcoming external threats.

合资企业

2017 年 2 月，公司出资人民币 2,500 万元认购中国公司重庆宗申融资租赁有限公司的 12.5% 股权。

作为润滑油业务拓展的一部分，公司与重庆新时代润滑油有限公司共同为合资企业新环润滑油（重庆）有限公司增资人民币 300 万元，使其实缴股本增至人民币 500 万元。

2018 年 3 月，亚洲润滑油制造商联盟（ALMU）成立，代表了整个东亚、南亚、东南亚和大洋洲地区的润滑油制造商。ALMU 理事会由环球石油有限公司执行主席何能恩博士担任主席，旨在成为亚洲润滑油行业应对各种挑战（即监管优化、制造业发展、保护会员权益、在加速推向市场的同时保持质量以及克服外部挑战）的主要呼声。

Signing supply agreement with Puma Energy in AP Oil office

Official launch of ALMU in Macao

REVIEW OF OPERATIONS
营运总结报告

PERFORMANCE BY BUSINESS SEGMENTS

MANUFACTURING

Manufacturing segment accounted for 45.2% or S$41.6 million of the Group's revenue in FY 2017 (FY 2016: 46.2%, S$36.5 million). Manufacturing comprises mainly blending of lubricating oils 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 activities cover 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 40.3% or S$37.1 million of the Group's revenue in FY 2017 (FY 2016: 36.4% or S$28.8 million). The higher year on year revenue was mainly from higher base oil and finished product sales.

FRANCHISING

Franchising segment recorded revenue of S$13.3 million or 14.5% of the Group's revenue for FY 2017 (FY 2016: 17.4%, S$13.8 million).

Our franchising programs include designs of plant and machinery, the setting up of laboratory, technology transfer, product formulation, staff training, use of our trademarks, etc. FY 2017 revenue comprised mainly of raw materials sale to our franchisees for producing lubricants under our brand name "SIN-O".

各业务部门业绩结果

制造

2017 财年，制造部门收入占集团收入的 45.2%，达 4,160 万新元（2016 财年数据：46.2%，3,650 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 2017 财年录得收入 3,710 万新元，占集团收入的 40.3%（2016 财年资料：36.4%，2,880 万新元）。年比收入增加主要来自基础油和成品销售的增长。

特许经营

特许经营部门在 2017 财年录得收入 1,330 万新元，占集团收入的 14.5%（2016 财年资料：17.4%，1,380 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。2017 财年收入主要由面向公司特许经营商的 "SIN-O" 品牌润滑油产品生产原料销售构成。

REVIEW OF OPERATIONS
营运总结报告

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 FY 2017 were Singapore, Vietnam, Bangladesh, Hong Kong, United Arab Emirates (UAE) and Malaysia.

Singapore was the Group's largest market, recording 56% of the Group's revenue for FY 2017. Sales in Singapore increased by S$8 million to S$51.6 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 Vietnam, was the second largest market contributing 12% or S$10.8 million to the Group's revenue in FY 2017. This was followed by Bangladesh with 6% or S$5.6 million to the Group's revenue in FY 2017.

In aggregate, Hong Kong, UAE and Malaysia accounted for 12% or S$10.9 million of the Group's revenue in FY 2017. Other markets made up the balance of 14% or S$13.1 million of the Group's revenue in FY 2017.

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。2017 财年，集团的主要市场为新加坡、越南、孟加拉国、香港、阿联酋和马来西亚。

新加坡是集团的最大市场，在 2017 财年贡献了 56% 的集团收入。在新销售额增长 800 万新元至 5,160 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。

我们的第二大市场越南，在 2017 财年录得销售额 1,080 万新元，占集团收入的 12%。第三则是孟加拉国，在 2017 财年录得销售额 560 万新元，占集团收入的 6%。

香港、阿联酋和马来西亚三个国家的 2017 财年销售额总计 1,090 万新元，占集团收入的 12%。其它市场在 2017 财年则另外贡献了总计达 1,310 万新元的销售额，占集团收入的 14%。

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and its Management believe in having high standards of corporate governance, and are committed to making sure 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 2017, with specific reference made to the principles of the Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

The Board is pleased to confirm that for the financial year ended 31 December 2017, the Group has adhered to the principles and guidelines as set out in the Code where appropriate.

A. BOARD MATTERS

The Board's Conduct of its Affairs

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

The Board is entrusted with the responsibility of the overall management of the Company. 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;

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.

CORPORATE GOVERNANCE REPORT

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. 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 some 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. All the Board Committees are actively engaged and play an important role 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 usually 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.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during the financial year ended 31 December ("FY") 2017 are as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	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
Mdm Lau Woon Chan	2	2	Not applicable	Not applicable	Not applicable	Not applicable	1	1
Mr Ho Chee Hon	2	2	2	2	1	1	Not applicable	Not applicable
Mr Chang Kwok Wah	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr Tan Woon Hum	2	2	2	2	1	1	1	1
Mr Quah Ban Huat	2	2	2	2	1	1	1	1

CORPORATE GOVERNANCE REPORT

The Group has adopted guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines include:

- 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 dividends and proposed final dividends;
- Convening of shareholders' meetings;
- Material acquisition/investment, divestment or capital expenditure; and
- Corporate or financial restructuring.

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

Newly appointed directors undergo an orientation session, which include presentation by Management to familiarize them 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 programme gives the new Director an understanding of the Group's businesses to enable him to assimilate into his new role. The Company will also provide newly appointed director with a formal letter setting out the duties and obligations of a director.

The Board as a whole is provided with continuous briefings and updates 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 updates, briefings and training programmes attended by the Directors in FY2017 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; and
- the Chief Executive Officer updated the Board on business and strategic developments pertaining to the Group's businesses

The Company has available budget for directors to receive further relevant training in connection with their duties. The details of training programmes attended by the Directors in FY2017 are as follows:

Directors	Training Attended	Date
Mr Tan Woon Hum	Singapore Institute of Directors – Audit Committee Essentials	13 October 2017
	Singapore Institute of Directors – Risk Management Essentials	13 October 2017
Mr Quah Ban Huat	Singapore Institute of Directors – Audit Committee update	13 January 2017

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

The Company endeavors to maintain a strong and independent element on the Board. As at the date of this report, two out of the six 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)

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 at least half of the Board at present.

To strengthen the independence of the Board, Mr Quah Ban Huat has also been 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 has failed 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's definition of an "independent" director and guidance on relationships, the existence of which would deem a director not to be independent. A director who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgment in the best interests of the Company, is considered to be independent.

In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including (i) the employment of a director by the Company or any of its related corporations; (ii) employment of an immediate family member by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; (iii) the acceptance by a director of any significant compensation from the Company or any of its related corporations, other than compensation for board service; (iv) a director being related to any organisation from which the Company of any of its subsidiaries received significant payments or material services; (v) a director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder of the Company; (vi) a director who is or has been associated with a 10% shareholder of the Company, for the current or any of the past three financial years.

CORPORATE GOVERNANCE REPORT

Each independent director is required to complete a Director's Independence Form annually to confirm his independence. For FY2017, the NC carried out a review on the independence of each independent non-executive director based on the foregoing considerations, 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 two Directors, who are non-executive, are independent.

The Board recognizes that the Independent Directors may over time develop significant insights in the Group's businesses and operations, and can 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 merely based on the number of years which they have served on the Board.

Management regularly puts up proposals or reports for the Board's approval (where appropriate), for instance, proposals relating to specific proposed transactions or general business direction or strategy of the Group. Independent Non-Executive Directors, when presented with these proposals for their consideration, evaluate the proposals made by Management and where appropriate provide 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.

Currently, Mr Tan Woon Hum has served on the Board for more than nine years from the date of his first appointment. The Board has subjected his independence to a rigorous review before extending his tenure as director. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Tan Woon Hum has demonstrated strong independence of character and judgment over the years in discharging his duties and responsibilities as the Independent Director of the Company with the utmost commitment in upholding the interest of the shareholders. Mr Tan Woon Hum does not represent any substantial shareholder of the Company and he is not accustomed or under an obligation whether formal or informal, to act in accordance with the directions, instructions or wishes of any shareholder. He has always been objective, frank and candid in expressing his opinions during meetings. He would raise queries, objectively debated and scrutinize issues in meeting discussions. He will seek clarification as he deemed necessary, including direct access to the Management. In addition, he had declared his independence and confirmed that he had no relationship with the Company or any of its related corporation which would affect or interfere with the exercise of his judgment.

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

The Board is of the opinion that its current 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 12 of this Annual Report.

Having considered the areas of 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. The Company considers that the Board's composition of independent directors provides effective contributions to the Board with a mix of knowledge and business contacts, including a very broad in-depth successful business and commercial experience. This balance is particularly important in ensuring that the strategies proposed by Management are fully discussed, examined and take into account the long-term interests of the Group.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

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. Given this, the Board believes that there are sufficient strong and independent elements and safeguards in place against an uneven concentration of power and authority.

A Lead Independent Director, Mr Quah Ban Huat, has been appointed to be an alternative avenue for shareholders and other Directors to raise their concerns where raising through the normal channels of the Chairman has failed to resolve, or where such contact is inappropriate. Should the need arise, the Independent Directors, led by the Lead Independent Director, will meet without the presence of the other Directors and the Lead Independent Director would provide feedback to the Chairman after such meetings.

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 and facilitating its effectiveness.

The Chairman's duties and responsibilities includes:–

a) Leading the Board to ensure it is effective in its role;

b) Setting directions and agendas for the Company and scheduling of meetings 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 polices 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;

g) Encouraging constructive relations between the Board and Management as well as between all directors.

CORPORATE GOVERNANCE REPORT

Board Membership

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

The Nominating Committee ("NC") is established for the purposes 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)

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the duties and responsibilities of the NC include:

a) to make recommendations to the Board on all Board appointments, including development of a set of criteria for director appointments, which includes qualifications of director; ability to exercise sound business judgments, 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) including, if applicable, as an independent director;

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 ("ROE"), revenue and profit growth, as well as making comparison with industry peers to the Board; and

e) to assess the effectiveness of the Board as a whole.

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 had relinquished his position as the Chief Executive Officer on 1 May 2015. Accordingly, Mr Ho Chee Hon has assumed the role as the Group Chief Executive Officer.

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.

CORPORATE GOVERNANCE REPORT

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 require 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 (other than the Managing Director) 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 subject to be re-elected at least once every three years. A director who is due for retirement, shall abstain from voting on any resolution in respect of this re-nomination as a director.

The Board recognizes 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.

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.

Currently, 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 5 April 2018)	Previous Directorship/ Chairmanship in other Listed Companies (FY2015 to FY2017)
Dr Ho Leng Woon	Executive	2 January 1982	Not applicable	–	–
Mdm Lau Woon Chan	Executive	7 March 1983	25 April 2016	–	–
Mr Ho Chee Hon	Executive	1 July 2009	26 April 2017	–	–
Mr Chang Kwok Wah	Executive	25 February 2004	29 April 2015	–	–
Mr Tan Woon Hum	Independent	31 January 2006	29 April 2015	Ezion Holdings Limited – Independent Director, Chairman of the Audit Committee YTL Starhill Global Reit Management Limited – Non-Executive Independent Director	Yong Xin International Holdings Ltd (Delisted) – Independent Director, Chairman of Nominating and Remuneration Committees Ezion Holdings Limited – Chairman of the Nominating Committee
Mr Quah Ban Huat	Independent	1 November 2010	26 April 2017	Samudera Shipping Line Ltd – Lead Independent Director, Chairman of the Audit Committee	Samudera Shipping Line Ltd – Chairman of the Remuneration Committee mDR Limited – Lead Independent Director, Chairman of the Remuneration and Nominating Committees Listed REITS/Trusts Croesus Retail Asset Management Pte Ltd, Trustee-manager of Croesus Retail Trust – Independent Director, Chairman of the Nominating and Remuneration Committees

CORPORATE GOVERNANCE REPORT

Apart from the foregoing, further information on each director are set out on pages 10 to 12 of this Annual Report. In addition, information on shareholding held by each director in the Company and its related corporations is found on page 42 of this Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC has adopted a process for assessing the performance of the Board as a whole instead of individual assessment. 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.

Although the Code proposes certain financial indicators as performance criteria, such as the Company's share price performance, 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 FY2017, 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 and considered 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 Guideline 2 above.

(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 Guideline 4 above.

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The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would 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.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Board papers for Board meetings were sent to directors in advance in order for directors to be adequately prepared for meetings, including all relevant documents, materials, background or explanatory information relating to the matters to be brought before the Board. In addition, in order to ensure that the Board is able to fulfill its responsibilities, Management provides the Board members with regular updates of the financial position of the Group. The quarterly report includes management accounts of the Company's performance, positions and prospects. The Directors have also been provided with the phone numbers and email-particulars of the Company's Senior Management and the Company Secretaries to facilitate access.

The Company has a transparent policy wherein directors are welcomed to request further information or informal discussions and make recommendations on any aspects of the Company's operations or business issues. Where directors need independent professional advice, the Board may appoint a professional advisor selected by the Directors and approved by the Chairman and Chief Executive Officer to render the advice. The Company may bear the cost of such advice if necessary.

The Company Secretaries attend all Board meetings and are responsible to ensure that Board procedures are followed. It is the Company Secretaries' responsibility to advise the Board on corporate governance matters and to assist the Board in complying with the relevant rules and regulations applicable to the Company. Under the direction of the Chairman, the Company Secretaries facilitate the information flow within the Board and its Committees and between Management and the Independent Directors. The appointment and removal of the Company Secretaries are decisions taken by the Board as a whole.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

Mr Quah Ban Huat (Chairman)
Mr Tan Woon Hum (Member)
Mdm Lau Woon Chan (Member)

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The Board recognises that the composition of the RC is not in accordance with the Code's guidelines that RC should comprise of entirely non-executive directors. However, the Board is of the view that the membership of Mdm Lau Woon Chan is necessary to facilitate a more effective discussion on the remuneration packages of the Group's key executives. Apart from Mdm Lau Woon Chan, the other two members (including Chairman) are non-executive 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 and Chief Executive Officer;

b) to review the remuneration packages of all managerial staff that are related to any of the Executive Directors or Chief Executive Officer; and

c) to recommend to the Board in consultation with senior management and the Chairman of 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.

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.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but the company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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 Executive Directors and Chief Executive Officer's remuneration consists of both a fixed component and a variable component which is performance related. The framework will cover directors' basic salaries, bonuses and benefits in kind. In developing the framework, the RC has taken into consideration factors, such as the Company's performance, the economic scenario, market practices and the individual's contributions to the Company.

CORPORATE GOVERNANCE REPORT

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 fees for appointment to Board Committees. While the remuneration frameworks are not subject to shareholders' approval, the Directors' fees for the Non-Executive Directors will be subject to the approval of shareholders at annual general meetings.

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

Disclosure on Remuneration

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

Details on 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.

Remuneration Band (S$)	Name of Director	Salary including CPF	Bonus profit Sharing	Fees	Benefits in Kind
500,000 to below 600,000	Mr Ho Chee Hon	52.5%	44.3%	–	3.2%
400,000 to below 500,000	Mr Ho Leng Woon	54.8%	41.1%	–	4.1%
300,000 to below 400,000	Mr Chang Kwok Wah	64.4%	32.1%	–	3.5%
200,000 to below 300,000	Mdm Lau Woon Chan	44.2%	55.8%	–	–
Below 100,000	Mr Tan Woon Hum	–	–	100.0%	–
Below 100,000	Mr Quah Ban Huat	–	–	100.0%	–

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 Agreements with each of the Executive Directors on a fixed term. The Agreements are renewable with mutual consent of the parties upon expiry.

CORPORATE GOVERNANCE REPORT

The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. In addition, the Company has in place alternative corporate governance practices described herein, such as the establishment of whistle-blowing policies, rigorous selection criteria of its Directors and key management personnel, the engagement of a professional accounting firm as the Group's outsourced internal auditors, private discussions between the Independent Directors with the external auditors and internal auditors and the granting of full access to all employees and documents of the Group to the Independent Directors, as checks and balances to prevent the occurrence of such instances.

The top five key management personnel's remuneration for the financial year ended 31 December 2017 is disclosed in the table below:

Remuneration Band (S$)	Number of Key Management Personnel
200,000 to below 300,000	2
100,000 to below 200,000	3

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 FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of a monthly basic salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives. For FY2017, the agreed performance objectives of the Executive Directors and key management personnel were met.

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

Mr Ho Chee Hon is the Chief Executive Officer and the son of the Company's Chairman, Dr Ho Leng Woon and the Company's Executive Director, Mdm Lau Woon Chan. Apart from him, there was no employee who is an immediate family member of a director or the Chief Executive Officer whose remuneration exceeded S$50,000 for the financial year ended 31 December 2017.

In considering the 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 full detailed disclosure of the remuneration of each key management personnel on a name basis and disclosure on the total aggregate remuneration paid to them as recommended by the Code would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Company's talent pool.

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.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

Accountability

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

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the periodic financial statements as well as timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects. The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

The Group recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Management also highlights key business indicators and major issues that are relevant to the Group's performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group's performance, financial performance, position and prospects as well as Management's achievements of the goals and objectives determined.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets. Board papers are given prior to any Board meeting to facilitate effective discussion and decision making.

The Management presents to the Audit Committee the interim and full-year results. The Audit Committee reviews the results and recommends them to the Board for approval. The Board approves the results and authorizes the release of the results to the SGX-ST and the public via SGXNET as required by the SGX-ST Listing Manual.

Risk Management and Internal Controls

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

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

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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 feedbacks to the RMC.

For FY2017, the Board has received assurances from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control systems in place are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks and also that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

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 view 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 2017.

Audit Committee

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

The AC comprises the following three 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)

The profile of each member of the AC is set out on pages 11 and 12 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 recognizes that the composition of the AC is not in accordance with the Code's guidelines that the AC should be made up of entirely non-executive directors. However, for the same reasons stated under Principle 3 of this report, the Board is of the view that independence is not comprised as majority of the members of the AC are independent.

CORPORATE GOVERNANCE REPORT

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) discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;

b) review with external auditors, their evaluation of the system of internal controls, the Management Letter and Management's response thereon;

c) discuss problems and concerns, if any, arising from the interim and final audits and any matters that the external auditors may wish to discuss with the AC in the absence of the Management;

d) review of the independence and objectivity of the external auditors and nomination of their re-appointment as auditors of the Company) The review of the adequacy of the Company's internal controls, and the effectiveness of the Company's internal audit function, the internal audit program including the scope and results of the internal audit;

e) review of interested person transactions (as defined in the Chapter 9 of the Listing Manual of SGX-ST);

f) review of interim and full year financial results, including review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and

g) any other functions that are requested by the Board, as may be required by statute or the Listing Manual. In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

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 107 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. In addition, the AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.

CORPORATE GOVERNANCE REPORT

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.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

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 FY2017, 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.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgment 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 Auditor; and were reviewed by the AC:

Significant Matters	AC Review
Valuation of investment in equity interest of an unquoted entity	The AC considered the approach and methodology applied in assessing the fair value of the investment in equity interest of an unquoted entity.
	The AC reviewed management's assessment and considered the appropriateness of the valuation methodologies adopted and the reasonableness of assumptions applied.
	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 2017.
Valuation of trade receivables	The AC considered the approach and methodology applied in assessing the adequacy of allowance for impairment for material unimpaired trade receivables balances as at 31 December 2017.
	For those material balances that have yet to be collected subsequent to year end, the AC reviewed Management assessment and considered the adequacy of allowance for impairment on these balances.
	The impairment review was also 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 2017.

CORPORATE GOVERNANCE REPORT

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.

The Company has also put in place a whistle-blowing policy and has 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 FY2017, there were no complaints, concerns or issues received.

Internal Audit

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

The AC is aware that internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The internal audit function of the Company is out-sourced to Nexia TS Risk Advisory Pte Ltd ("Internal Auditor") and the Internal Auditor reports directly to the Chairman of the AC. The Internal Auditors is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience.

The Internal Auditors carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. Being an independent function, the audit work is conducted with impartiality and professional care.

The Internal Auditor reviews the effectiveness of the internal control system and management control system, including systems for compliance with laws and regulations. These reviews are conducted twice a year to ensure material internal controls are in place. The AC reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary cooperation to enable the Internal Auditor to perform its function. The AC also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to address any issues or inadequacies identified.

Since the implementation of the internal audit, the AC is satisfied that the internal audit on systems and controls are adequate in view of the current nature and scope of operations of the Company. The AC will continue to assess the adequacy of the internal audit function annually.

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Shareholder Rights

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

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/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.

Communication with Shareholders

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

The Company endeavours 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 practise 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.

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 solicit and understand the views of the shareholders.

CORPORATE GOVERNANCE REPORT

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends 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 0.5 cents per ordinary share for the financial year ended 31 December 2017.

Conduct of shareholder meetings

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

All shareholders of the company receive the annual report of the company and notice of AGM within the mandatory period. The notice is also published in the local newspaper and made available on the SGXNET and the Company's website. Participation of shareholders is encouraged at the Company's general meetings. Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

To facilitate voting by shareholders, the Company's Constitution allows shareholders to appoint up to two proxies to attend and vote at the same general meeting. The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's Annual General Meeting to address any questions that shareholders may have.

The minutes of general meetings will be made available to shareholders upon written request.

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.

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 enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

CORPORATE GOVERNANCE REPORT

E. INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transactions with interested persons and has 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.

The AC had reviewed all interested person transactions for the financial year ended 31 December 2017 and was satisfied that 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 that there was no material contract entered into between the company and its subsidiaries which involved the interests of any director or controlling shareholder, either still 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.

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 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and 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:

<u>Executive directors</u>
Dr Ho Leng Woon
Mdm Lau Woon Chan
Mr Ho Chee Hon
Mr Chang Kwok Wah

<u>Independent and non-executive directors</u>
Mr Quah Ban Huat
Mr Tan Woon Hum

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:

	Direct interest	
	At beginning of reporting year	**At end of reporting year**
Name of Director		
The Company		
Number of shares of no par value		
Dr Ho Leng Woon	61,406,250	61,406,250
Lau Woon Chan	17,531,250	17,531,250
Ho Chee Hon	11,168,937	11,168,937
Chang Kwok Wah	41,250	41,250

By virtue of section 7 of the Act, Dr Ho Leng Woon and 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 2018 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 any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in 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. INDEPENDENT AUDITOR

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

7. 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 and non-executive director)
Mr Tan Woon Hum	(Independent and non-executive director)
Mr Ho Chee Hon	(Executive director)

The audit committee performs the functions specified by section 201B(5) of the Companies 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

8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROL

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

On behalf of the directors

Dr Ho Leng Woon
Director

Mr Ho Chee Hon
Director

5 April 2018

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 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 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and 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.

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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 16 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 had entered into an agreement with Chongqing Zongshen Powermachinery Company Limited ("Zongshen Powermachinery") and certain other parties to establish Chongqing Zongshen Financial Leasing Company Limited ("Chongqing Zongshen Financial Leasing") in the People's Republic of China for the purpose of undertaking a financial leasing business. Pursuant to the agreement, the Company subscribed for 12.5% of the equity interests in Chongqing Zongshen Financial Leasing for approximately $5,179,000 (the "Investment"). As part of this arrangement, the Company was also granted an option by Zongshen Powermachinery whereby the Company has the right to sell to Zongshen Powermachinery 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 and the agreed market value at the time of exercise.

The Company has accounted for the Investment and the Option together as a hybrid (combined) instrument and has designated this as at fair value through profit or loss. To this end, management has engaged an independent external valuer to perform valuation of this financial asset as at 31 December 2017.

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 valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity. Using our internal valuation specialists, we assessed the appropriateness of the valuation methodologies adopted and the reasonableness of assumptions applied. We also challenged the adjustments to the net assets, if any. Where the adjustments were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with management and the valuer.

INDEPENDENT AUDITOR'S REPORT

To the members of AP Oil International Limited

Key audit matters (Continued)

(b) Valuation of trade receivables

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, note 19 on trade and other receivables and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

As set out in note 19 to the financial statements, trade receivables amounted to $10.8 million as at 31 December 2017, representing 17% of the Group's total assets. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions.

The estimate of impairment loss is based on the historical trend of these receivables, which includes analyses of the age of these receivables, creditworthiness of the profile of the customers, past payment history of the customers and future collectability.

We have reviewed the ageing analyses of trade receivables and critically assessed management's assumptions and estimates, in particular, those relating to the collectability of major unimpaired trade receivable balances as at 31 December 2017. We have also assessed whether the financial statements disclosures appropriately reflect the Group's exposure to credit risk.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

INDEPENDENT AUDITOR'S REPORT

To the members of AP Oil International Limited

Responsibilities of management and directors for the financial statements (Continued)

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

To the members of AP Oil International Limited

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

- 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.

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 Adrian Tan Khai-Chung.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

5 April 2018

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	5	**91,954**	79,140
Cost of sales		**(80,837)**	(66,098)
Gross profit		**11,117**	13,042
Interest income		**159**	74
Other gains	6	**938**	577
Distribution costs	7	**(2,639)**	(2,772)
Administrative expenses		**(7,069)**	(7,136)
Finance costs		**(8)**	(5)
Other losses	6	**(12)**	(237)
Share of results of equity-accounted joint ventures		**218**	247
Profit before tax from continuing operations		**2,704**	3,790
Income tax expense	9	**(302)**	(456)
Profit from continuing operations, net of tax		**2,402**	3,334
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets, net of tax	22	**24**	28
Exchange differences on translation from functional currency to presentation currency	22	**(3,165)**	871
Share of other comprehensive income/(loss) from equity-accounted joint ventures, net of tax	22	**69**	(44)
Other comprehensive (loss)/income for the year, net of tax		**(3,072)**	855
Total comprehensive (loss)/income for the year		**(670)**	4,189
Profit attributable to owners of the Company, net of tax		**2,422**	3,495
Loss attributable to non-controlling interests, net of tax		**(20)**	(161)
Profit net of tax		**2,402**	3,334
Total comprehensive (loss)/income attributable to owners of the Company		**(650)**	4,350
Total comprehensive loss attributable to non-controlling interests		**(20)**	(161)
Total comprehensive (loss)/income for the year		**(670)**	4,189

	Note	Group 2017 Cents	Group 2016 Cents
Earnings per share (cents per share)			
Continuing operations			
Basic and diluted	10	**1.47**	2.12

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**4,823**	5,503	**791**	1,119
Goodwill	13	**409**	409	**–**	–
Investments in subsidiaries	14	**–**	–	**17,939**	19,372
Investments in joint ventures	15	**2,386**	2,177	**512**	228
Deferred tax assets	9	**41**	54	**–**	–
Other financial assets	16	**5,721**	887	**5,721**	887
Other assets	17	**626**	676	**–**	–
Total non-current assets		**14,006**	9,706	**24,963**	21,606
Current assets					
Inventories	18	**4,998**	7,329	**–**	–
Trade and other receivables	19	**10,781**	9,412	**6,096**	8,544
Other assets	17	**575**	296	**23**	24
Cash and cash equivalents	20	**32,033**	38,278	**10,556**	10,949
Total current assets		**48,387**	55,315	**16,675**	19,517
Total assets		**62,393**	65,021	**41,638**	41,123
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	21	**6,606**	6,606	**6,606**	6,606
Retained earnings		**42,951**	41,763	**26,679**	23,770
Other reserves	22	**3,905**	6,977	**(1,188)**	1,180
Equity attributable to owners of the Company		**53,462**	55,346	**32,097**	31,556
Non-controlling interests		**(102)**	(82)	**–**	–
Total equity		**53,360**	55,264	**32,097**	31,556
Non-current liabilities					
Deferred tax liabilities	9	**239**	257	**60**	87
Finance leases	23	**–**	23	**–**	–
Total non-current liabilities		**239**	280	**60**	87
Current liabilities					
Income tax payable		**87**	672	**–**	3
Trade and other payables	24	**8,684**	8,765	**9,481**	9,477
Finance leases	23	**23**	40	**–**	–
Total current liabilities		**8,794**	9,477	**9,481**	9,480
Total liabilities		**9,033**	9,757	**9,541**	9,567
Total equity and liabilities		**62,393**	65,021	**41,638**	41,123

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Attributable to owners of the Company					
	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Current year						
At 1 January 2017	**6,606**	**41,763**	**6,977**	**55,346**	**(82)**	**55,264**
Changes in equity						
Total comprehensive income/(loss) for the year	**–**	**2,422**	**(3,072)**	**(650)**	**(20)**	**(670)**
Dividends paid (note 11)	**–**	**(1,234)**	**–**	**(1,234)**	**–**	**(1,234)**
At 31 December 2017	**6,606**	**42,951**	**3,905**	**53,462**	**(102)**	**53,360**
Previous year						
At 1 January 2016	6,606	39,091	6,122	51,819	79	51,898
Changes in equity						
Total comprehensive income/(loss) for the year	–	3,495	855	4,350	(161)	4,189
Dividends paid (note 11)	–	(823)	–	(823)	–	(823)
At 31 December 2016	6,606	41,763	6,977	55,346	(82)	55,264

Company	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
Current year				
At 1 January 2017	**6,606**	**23,770**	**1,180**	**31,556**
Changes in equity				
Total comprehensive income/(loss) for the year	**–**	**4,143**	**(2,368)**	**1,775**
Dividends paid (note 11)	**–**	**(1,234)**	**–**	**(1,234)**
At 31 December 2017	**6,606**	**26,679**	**(1,188)**	**32,097**
Previous year				
At 1 January 2016	6,606	21,745	405	28,756
Changes in equity				
Total comprehensive income for the year	–	2,848	775	3,623
Dividends paid (note 11)	–	(823)	–	(823)
At 31 December 2016	6,606	23,770	1,180	31,556

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from operating activities		
Profit before tax	**2,704**	3,790
Adjustments for:		
Interest income	**(159)**	(74)
Interest expense	**8**	5
Insurance premium charged to profit or loss	**8**	8
Depreciation of property, plant and equipment	**1,258**	1,263
Share of results of equity-accounted joint ventures, net of tax	**(218)**	(247)
Gain on disposal of property, plant and equipment	**(31)**	(86)
Operating cash flows before changes in working capital	**3,570**	4,659
Inventories	**1,789**	(199)
Trade and other receivables	**(2,064)**	6,824
Other assets	**(301)**	117
Trade and other payables	**(728)**	(1,643)
Net cash flows from operations	**2,266**	9,758
Net income taxes paid	**(892)**	(214)
Net cash flows from operating activities	**1,374**	9,544
Cash flows from investing activities		
Purchase of property, plant and equipment	**(690)**	(2,473)
Proceeds from disposal of property, plant and equipment	**58**	146
Investment in other financial assets	**(5,179)**	–
Interest received	**159**	74
Dividends from joint ventures	**136**	140
Net cash flows used in investing activities	**(5,516)**	(2,113)
Cash flows from financing activities		
Dividends paid	**(1,234)**	(823)
Repayment of finance leases	**(40)**	(19)
Interest paid	**(8)**	(5)
Net cash flows used in financing activities	**(1,282)**	(847)
Net (decrease)/increase in cash and cash equivalents	**(5,424)**	6,584
Cash and cash equivalents, statement of cash flows, beginning balance	**37,724**	30,661
Net effect of exchange rate changes on cash and cash equivalents	**(822)**	479
Cash and cash equivalents, statement of cash flows, ending balance (note 20A)	**31,478**	37,724

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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 and its registered office is 30 Gul Crescent, Singapore 629535.

The financial statements as at and for the reporting year ended 31 December 2017 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 Company is an investment holding company.

The principal activities of the subsidiaries and joint ventures are set out in notes 14 and 15 respectively.

Accounting convention

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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 at the end of this footnote, where applicable.

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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 available-for-sale financial assets in accordance with FRS 39.

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 2017

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from franchising represents trading of base oil and is recognised on the basis similar to that of sale of goods. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when significant acts have been completed. 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. Interest is recognised using the effective interest method. Dividend from subsidiaries and joint venture are recognised as income when the entity's right to receive payment is established.

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.

Government grants

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The 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.

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$) as the financial statements are meant primarily for users in Singapore. Accordingly, for the financial statements presented in Singapore dollar, assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translation of US$ amounts into S$ amounts are included solely for the convenience of readers. The reporting year end rates used are US$1 to S$1.33 (2016: US$1 to S$1.44) 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 (2016: US$1 to S$1.38). 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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 reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency 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.

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 income) 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 reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Property, plant and equipment

Depreciation is provided on a straight-line 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

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

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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 reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity 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 in value. 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.

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 reporting entity 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture (Continued)

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 reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity'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 reporting entity. The reporting entity 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 FRS 39 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 in value. 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 2017

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 (CGUs). 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.

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Leases (Continued)

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

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity 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 is recognised as of the acquisition date 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 FRS 103 (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 this FRS 103.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Goodwill (Continued)

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 groups 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 groups 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.

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.

Financial assets

Initial recognition, measurement and derecognition

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Financial assets (Continued)

Initial recognition, measurement and derecognition (Continued)

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

Subsequent measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

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

(iv) Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. The financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of the end of the reporting year. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three 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.

Financial liabilities

Initial recognition, measurement and derecognition

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Fair value measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

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.

Financial asset designated as at fair value through profit or loss

Details of the Company's financial asset designated as at fair value through profit or loss are set out in note 16B. The fair value is determined using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires significant management judgement and was determined based on the adjusted net assets approach.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

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

Allowance for doubtful trade receivables

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount at the end of the reporting year is disclosed in the note on trade and other receivables.

Assessment of impairment of investments in subsidiaries and joint ventures

Where a subsidiary or joint venture is in net equity deficit and or has suffered losses, a test is made whether the investment has suffered any impairment. This measurement requires significant judgement. An estimate is made for the recoverable amount of the investment. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the investment. The carrying amount at the end of the reporting year is disclosed in the notes on investment in subsidiaries and joint ventures, respectively.

Recoverability of non-current other assets

Non-current other assets mainly comprise a prepayment for purchase of land. As described in note 17 to the financial statements, on 14 January 2008, a subsidiary of the Company entered into an agreement with a company in Vietnam with the intention of establishing a joint arrangement for the purpose of acquiring three parcels of land in Vietnam. To this end, the subsidiary has made a deposit of US$468,800. However, as at 31 December 2017, the land purchase has not yet been completed nor has the joint arrangement been set up. These are also not expected to be finalised within the next 12 months from the end of the reporting year. In making this judgement, management considered the creditworthiness of the counterparty, the market value of the land and the legal recourse in the event of dispute.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Dr Ho Leng Woon, a director and significant shareholder of the Company.

3A. Related party transactions

There are transactions and arrangements between the reporting entity and members of the Group 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 unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

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

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	
	2017	**2016**
	$'000	**$'000**
Joint venture		
Sale of goods	**10,798**	10,330

3B. Key management compensation

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries and other short-term employee benefits	**2,107**	2,192

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Key management compensation (Continued)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Remuneration of directors of the Company	**1,570**	1,670
Remuneration of directors of subsidiaries	**221**	355
Fees to directors of the Company	**90**	90

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 about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, geographical areas, and major customers are made as required by FRS 108. This disclosure standard has no impact on the reported results 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:

(1) Manufacturing;

(2) Trading; and

(3) Franchising.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4A. Information about reportable segment profit or loss, assets and liabilities (Continued)

The segments and types of products and services are as follows:

– The manufacturing segment manufactures a range of lubricating oils and fluids and specialty chemicals for industrial, automotive and marine applications and provides blending services to its customers. The manufactured goods are sold under the Group's brand names;

– The trading segment trades in base oil and additives and specialty chemicals; and

– The franchising segment includes trade in raw materials for products under the Company's brand names.

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.

4B. Profit or loss from continuing operations and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
2017					
Continuing operations					
Revenue by segment	42,335	38,377	13,302	–	94,014
Inter-segment sales	(783)	(1,277)	–	–	(2,060)
Total revenue	41,552	37,100	13,302	–	91,954
Gross profit	7,445	2,280	1,392	–	11,117
Interest income				159	159
Other gains				938	938
Finance costs				(8)	(8)
Other losses				(12)	(12)
Unallocated expenses				(9,708)	(9,708)
Share of results of joint ventures				218	218
Profit before tax from continuing operations					2,704
Income tax expense				(302)	(302)
Profit from continuing operations, net of tax					2,402

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit or loss from continuing operations and reconciliations (Continued)

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
2016					
Continuing operations					
Revenue by segment	37,390	29,942	13,798	–	81,130
Inter-segment sales	(871)	(1,119)	–	–	(1,990)
Total revenue	36,519	28,823	13,798	–	79,140
Gross profit	9,296	1,799	1,947	–	13,042
Interest income				74	74
Other gains				577	577
Finance costs				(5)	(5)
Other losses				(237)	(237)
Unallocated expenses				(9,908)	(9,908)
Share of results of joint ventures				247	247
Profit before tax from continuing operations					3,790
Income tax expense				(456)	(456)
Profit from continuing operations, net of tax					3,334

4C. Assets and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
2017					
Total assets for reportable segments	**11,172**	**5,561**	**3,011**	**–**	**19,744**
Unallocated:					
Deferred tax assets	**–**	**–**	**–**	**41**	**41**
Cash and cash equivalents	**–**	**–**	**–**	**32,033**	**32,033**
Investments in joint ventures	**–**	**–**	**–**	**2,386**	**2,386**
Other unallocated amounts	**–**	**–**	**–**	**8,189**	**8,189**
Total assets	**11,172**	**5,561**	**3,011**	**42,649**	**62,393**
2016					
Total assets for reportable segments	12,108	5,745	3,329	–	21,182
Unallocated:					
Deferred tax assets	–	–	–	54	54
Cash and cash equivalents	–	–	–	38,278	38,278
Investments in joint ventures	–	–	–	2,177	2,177
Other unallocated amounts	–	–	–	3,330	3,330
Total assets	12,108	5,745	3,329	43,839	65,021

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
2017					
Total liabilities for reportable segments	**4,232**	**1,671**	**560**	**–**	**6,463**
Unallocated:					
Deferred and current tax liabilities	**–**	**–**	**–**	**326**	**326**
Other unallocated amounts	**–**	**–**	**–**	**2,244**	**2,244**
Total liabilities	**4,232**	**1,671**	**560**	**2,570**	**9,033**
2016					
Total liabilities for reportable segments	4,701	2,275	761	–	7,737
Unallocated:					
Deferred and current tax liabilities	–	–	–	929	929
Other unallocated amounts	–	–	–	1,091	1,091
Total liabilities	4,701	2,275	761	2,020	9,757

4E. Other material items and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
Depreciation					
2017	**441**	**397**	**–**	**420**	**1,258**
2016	511	353	–	399	1,263
Capital expenditure					
2017	**290**	**257**	**–**	**143**	**690**
2016	316	1,795	–	422	2,533

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical information

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**51,563**	43,506	**3,894**	5,046
Vietnam	**10,832**	10,478	**2,468**	2,075
Bangladesh	**5,621**	4,553	**–**	–
Hong Kong	**4,223**	1,396	**–**	–
United Arab Emirates	**3,999**	4,169	**–**	–
Malaysia	**2,656**	3,111	**–**	–
People's Republic of China ("PRC")	**2,491**	1,097	**1,882**	1,644
Greece	**2,142**	1,496	**–**	–
Indonesia	**2,077**	2,272	**–**	–
Myanmar	**2,004**	2,055	**–**	–
Philippines	**1,406**	1,943	**–**	–
Others	**2,940**	3,064	**–**	–
	91,954	79,140	**8,244**	8,765

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 about major customers

Two customers (2016: two customers) of the Group contributed more than 10% each of the Group's total revenue. These two customers (2016: two customers) contributed approximately $32,000,000 (2016: $28,000,000) in revenue.

5. REVENUE

	Group	
	2017	**2016**
	$'000	**$'000**
Sale of goods	**88,396**	74,473
Rendering of services	**1,875**	3,026
Rental revenue	**1,683**	1,641
	91,954	79,140

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

6. OTHER GAINS/(LOSSES)

	Group	
	2017	**2016**
	$'000	**$'000**
Allowance for impairment on trade receivables	**(9)**	–
Bad debts recovered on trade receivables	**6**	2
Foreign exchange gains/(losses)	**392**	(237)
Gain on disposal of plant and equipment	**31**	86
Government grant income	**140**	209
Plant and equipment written-off	**(3)**	–
Royalty income	**16**	41
Other income	**353**	239
Net	**926**	340
Presented in profit or loss as:		
Other gains	**938**	577
Other losses	**(12)**	(237)
Net	**926**	340

7. DISTRIBUTION COSTS

Major components include the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Employee benefits expense	**1,115**	1,135
Freight charges	**1,011**	1,035

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	**2016**
	$'000	**$'000**
Employee benefits expense	**6,617**	6,594
Contributions to defined contribution plan	**536**	515
Others	**178**	196
	7,331	7,305
Included in:		
Cost of sales	**1,695**	1,704
Distribution costs	**1,115**	1,135
Administrative expenses	**4,521**	4,466
	7,331	7,305

9. INCOME TAX

9A. Components of tax expense recognised in profit or loss

	Group	
	2017	**2016**
	$'000	**$'000**
Current tax		
Current tax expense	**311**	558
Adjustments to current tax in respect of prior years	**(4)**	(69)
	307	489
Deferred tax		
Deferred tax expense/(benefit)	**9**	(33)
Adjustments to deferred tax in respect of prior years	**(14)**	–
	(5)	(33)
	302	456

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

9. INCOME TAX (CONTINUED)

9A. Components of tax expense recognised in profit or loss (Continued)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit before income tax as a result of the following:

	Group	
	2017	2016
	$'000	$'000
Profit before tax from continuing operations	2,704	3,790
Less: Share of results of equity-accounted joint ventures	(218)	(247)
	2,486	3,543
Income tax expense at the above rate	423	602
Non-deductible items	88	294
Income not subject to tax	(107)	(156)
Adjustments to current tax in respect of prior years	(4)	(69)
Adjustments to deferred tax in respect of prior years	(14)	–
Tax rebates	(40)	(60)
Tax exemptions	(78)	(78)
Recognition of previously unrecognised tax losses	–	(136)
Current year losses for which no deferred tax assets was recognised	8	73
Others	26	(14)
	302	456

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 2017

9. INCOME TAX (CONTINUED)

9B. Deferred tax benefit recognised in profit or loss

	Group 2017 $'000	Group 2016 $'000
Movements during the year		
Excess of net book value over tax value of property, plant and equipment	**(18)**	(36)
Excess of tax value over net book value of property, plant and equipment	**4**	(10)
Provision for unutilised leave	**9**	–
Unutilised tax losses	**(8)**	58
Unutilised capital allowance	**–**	18
Unrecognised deferred tax assets	**8**	(63)
	(5)	(33)

9C. Deferred tax balance in statements of financial position

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Excess of net book value over tax value of property, plant and equipment	**(259)**	(277)	**(70)**	(105)
Excess of tax value over net book value of property, plant and equipment	**40**	44	**–**	–
Provision for unutilised leave	**21**	30	**10**	18
Unutilised tax losses	**289**	281	**–**	–
Unrecognised deferred tax assets	**(289)**	(281)	**–**	–
	(198)	(203)	**(60)**	(87)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

9. INCOME TAX (CONTINUED)

9C. Deferred tax balance in statements of financial position (Continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Presented in statements of financial position as follows:				
Deferred tax assets	**41**	54	**–**	–
Deferred tax liabilities	**(239)**	(257)	**(60)**	(87)
	(198)	(203)	**(60)**	(87)

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

10. EARNINGS PER SHARE

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

	Group	
	2017	**2016**
	$'000	**$'000**
Numerator: Profit attributable to owners of the Company		
Basic and diluted earnings	**2,422**	3,495
	'000	**'000**
Denominator: Weighted average number of equity shares		
Basic and diluted	**164,531**	164,531

The weighted average number of equity shares refers to shares in circulation during the reporting year.

11. DIVIDENDS

	Company	
	2017	**2016**
	$'000	**$'000**
Interim tax exempt (1-tier) dividend paid at Nil (2016: 0.50 cents) per share	**–**	823
Final tax exempt (1-tier) dividend paid at 0.75 cents (2016: Nil) per share	**1,234**	–
	1,234	823

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements $'000	Plant and equipment $'000	Total $'000
Group			
Cost			
At 1 January 2016	5,461	12,198	17,659
Additions	1,335	1,198	2,533
Disposals	–	(602)	(602)
Written-off	–	(57)	(57)
Foreign exchange adjustments	71	142	213
At 31 December 2016	6,867	12,879	19,746
Additions	76	614	690
Disposals	–	(81)	(81)
Written-off	(24)	(164)	(188)
Foreign exchange adjustments	(255)	(321)	(576)
At 31 December 2017	**6,664**	**12,927**	**19,591**
Accumulated depreciation			
At 1 January 2016	4,104	9,296	13,400
Depreciation for the year	124	1,139	1,263
Disposals	–	(542)	(542)
Written-off	–	(57)	(57)
Foreign exchange adjustments	61	118	179
At 31 December 2016	4,289	9,954	14,243
Depreciation for the year	186	1,072	1,258
Disposals	–	(54)	(54)
Written-off	(23)	(162)	(185)
Foreign exchange adjustments	(204)	(290)	(494)
At 31 December 2017	**4,248**	**10,520**	**14,768**
Net book value			
At 1 January 2016	1,357	2,902	4,259
At 31 December 2016	2,578	2,925	5,503
At 31 December 2017	**2,416**	**2,407**	**4,823**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties and improvements $'000	Plant and equipment $'000	Total $'000
Company			
Cost			
At 1 January 2016	1,373	1,281	2,654
Foreign exchange adjustments	30	28	58
At 31 December 2016	1,403	1,309	2,712
Foreign exchange adjustments	(104)	(97)	(201)
At 31 December 2017	**1,299**	**1,212**	**2,511**
Accumulated depreciation			
At 1 January 2016	953	346	1,299
Depreciation for the year	16	238	254
Foreign exchange adjustments	22	18	40
At 31 December 2016	991	602	1,593
Depreciation for the year	16	236	252
Foreign exchange adjustments	(74)	(51)	(125)
At 31 December 2017	**933**	**787**	**1,720**
Net book value			
At 1 January 2016	420	935	1,355
At 31 December 2016	412	707	1,119
At 31 December 2017	**366**	**425**	**791**

Allocation of depreciation expense

	Group	
	2017 $'000	2016 $'000
Cost of sales	**642**	705
Administrative expenses	**616**	558
	1,258	1,263

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Location of properties	Tenure	Gross land area (sqm)	Gross built-in area (sqm)	Existing use
Singapore				
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 10 months lease with effect from 1 February 1979 and expiring in November 2023	8,426	1,837	Manufacture of lubricating oils and fluids
No. 19 Tractor Road, Singapore 627977	38 years 2 months lease with effect from 29 October 1985 and expiring in December 2023	5,988	1,853	Toll-blend and manufacture of chemicals and specialty chemicals
PRC				
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	68	Office

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

13. GOODWILL

	Group	
	2017	2016
	$'000	$'000
At beginning and end of year	**409**	409

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 14).

The goodwill is tested for impairment at the end of the 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 (2016: 0%). The estimated discount rate using pre-tax rate that reflects current market assessments at the risks specific to the CGU is 12.9% (2016: 12.9%).

Actual outcomes could vary from these estimates. If the revised estimated gross margin at the end of the 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% less favourable than management's estimates, the recoverable amount is still greater than the carrying value of the goodwill and no impairment for goodwill will be required. If the actual gross margin and pre-tax discounted rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because FRS 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 2017

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares at cost	**18,327**	15,689
Additions[a]	**–**	2,246
Foreign exchange adjustments	**(1,356)**	392
	16,971	18,327
Less: Allowance for impairment	**(925)**	(999)
	16,046	17,328
Quasi-equity loan[b]	**2,044**	2,000
Foreign exchange adjustments	**(151)**	44
	1,893	2,044
	17,939	19,372
Net book value of subsidiaries	**36,239**	39,987
Movements in allowance for impairment		
At beginning of year	**999**	822
Charge to profit or loss[c]	**–**	154
Foreign exchange adjustments	**(74)**	23
At end of year	**925**	999

(a) In prior year 31 December 2016, the Company injected additional share capital of RMB10,352,000 (approximately $2,246,000) into AP Oil Singapore (Shanghai) Limited ("AP Oil Shanghai").

(b) 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. AP Vietnam, in turn, holds the Group's 30% equity interests in the joint venture, AP Saigon Petro Joint Stock Company ("AP Saigon") (see note 15).

(c) The additional allowance for impairment charged in prior year 31 December 2016 mainly relates to Heptalink Chemicals Pte Ltd ("Heptalink Chemicals"), which was a result of deterioration of its financial performance.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information on the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest 2017 %	2016 %
Held by the Company				
A.I.M. Chemical Industries Pte Ltd[(a)]	Singapore	Toll-blending and manufacturing of specialty chemicals and trading of chemical products	**100**	100
Alpha Pacific Petroleum (S) Pte Ltd[(a)]	Singapore	Importers and exporters, and blending of lubricating oil and grease	**100**	100
AP Oil Pte Ltd ("APPL")[(a)]	Singapore	Importers and exporters of oil and oil-related products as well as investment holding	**100**	100
GB Chemicals Pte Ltd[(a)]	Singapore	Trading of cleaning and chemical products and equipment	**100**	100
Axel Oil Pte Ltd[(a)]	Singapore	Dormant	**100**	100
AP Vietnam Pte Ltd[(a)]	Singapore	Investment holding	**100**	100
Alpha Pacific Developments Holdings Pte Ltd[(a)]	Singapore	Dormant	**100**	100
Heptalink Chemicals Pte Ltd[(b)]	Singapore	Trading and distribution of chemicals	**60**	60
AP Oil Singapore (Shanghai)[(c)]	PRC	Wholesale, import and export of lubricating oil	**100**	100
Held through APPL				
AP Tang Mining Phil. Corporation[(d)]	Philippines	Dormant	**90**	90

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

(b) Audited by Wong, Lee & Associates LLP, a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by Zhongzhun CPA LLP, a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

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

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YEAR ENDED 31 DECEMBER 2017

15. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	**2,177**	2,081	**228**	223
Additions	**311**	–	**311**	–
Share of results for the year	**218**	247	**–**	–
Dividends	**(136)**	(140)	**–**	–
Foreign exchange adjustments	**(184)**	(11)	**(27)**	5
At end of year	**2,386**	2,177	**512**	228
Carrying value comprising				
Unquoted equity shares at cost	**1,831**	1,520	**534**	223
Share of post-acquisition results, net of dividends received	**1,034**	1,068	**–**	–
Foreign exchange adjustments	**(479)**	(411)	**(22)**	5
	2,386	2,177	**512**	228
Share of net book value of joint ventures	**2,386**	2,177	**512**	228

Information on the joint ventures are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion of ownership interest 2017 %**	**2016 %**
Held by the Company				
AP Oil Singapore (Chongqing) Ltd ("AP Oil Chongqing")[(a)]	PRC	Trading of petroleum lubricating oils, base oils, additives and petrochemical related products	**51**	51
Held through AP Vietnam				
AP Saigon Petro JSC ("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, a firm of accountants other than member firms 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.

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YEAR ENDED 31 DECEMBER 2017

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

15A. 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.

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 reporting entity when using the equity method.

	Group	
	2017	**2016**
	$'000	**$'000**
Profit for the year	**38**	6
Net assets of joint venture	**1,063**	416

15B. 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.

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

15B. AP Saigon (Continued)

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 reporting entity when using the equity method.

	Group	
	2017	**2016**
	$'000	**$'000**
Dividends received from joint venture	**136**	140
Revenue	**19,782**	26,618
Profit for the year	**760**	1,052
Depreciation and amortisation	**(140)**	(120)
Interest income	**395**	387
Interest expense	**(94)**	(622)
Income tax expense	**(190)**	(307)
Current assets	**13,459**	15,973
Cash and cash equivalents	**5,738**	8,279
Non-current assets	**716**	856
Current liabilities	**(8,035)**	(10,262)
Current financial liabilities (excluding trade and other payables and provisions)	**(4,961)**	(9,446)
Reconciliation		
Net assets of joint venture	**6,140**	6,567
Proportion of the Group's interest in joint venture	**30%**	30%
Other adjustments	**2**	(5)
Carrying amount of interest in joint venture	**1,844**	1,965

16. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Keyman life insurance policy as available-for-sale at fair value through other comprehensive income (note 16A)	**840**	887
Financial asset designated as at fair value through profit or loss (note 16B)	**4,881**	–
	5,721	887

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER FINANCIAL ASSETS, NON-CURRENT (CONTINUED)

16A. Keyman life insurance policy as available-for-sale at fair value through other comprehensive income

	Group and Company	
	2017	2016
	$'000	$'000
Fair value at beginning of year	**887**	848
Insurance premium recorded in profit or loss	**(8)**	(8)
Increase in fair value through other comprehensive income (note 22)	**24**	28
Foreign exchange adjustments	**(63)**	19
Fair value at end of year	**840**	887

The investment-linked keyman insurance policy relates to life insurance policy purchased by the Company for one of its executive directors. The insured amount of the contract is US$3,000,000. After 15 years from date of commencement of the policy, the surrender value of the policy is expected to be equal to the accumulated value of the policy.

The fair value of the policy (level 2) is based on total cash surrender value of the contract stated in the annual statement of this policy and the amount is approximately $840,000 (2016: $887,000).

16B. Financial asset designated as at fair value through profit or loss

	Group and Company	
	2017	2016
	$'000	$'000
Fair value at beginning of year	–	–
Additions	**5,179**	–
Foreign exchange adjustments	**(298)**	–
Fair value at end of year	**4,881**	–

In 2016, the Company entered into an agreement with Chongqing Zongshen Powermachinery Company Limited ("Zongshen Powermachinery"), MoneyMax Financial Services Limited ("MoneyMax") and Chongqing Free Trade Port Area Development and Management Group Company Limited 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 the agreement, the Company will subscribe for 12.5% of the equity interests (unquoted) in Chongqing Zongshen Financial Leasing for approximately $5,179,000 (the "Investment"). During the reporting year ended 31 December 2017, the Company has fully paid up the Investment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

16. OTHER FINANCIAL ASSETS, NON-CURRENT (CONTINUED)

16B. Financial asset designated as at fair value through profit or loss (Continued)

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 Zongshen Powermachinery granted put options to the Company and MoneyMax whereby the Company and MoneyMax have the right to sell to Zongshen Powermachinery, at their sole discretion, all or part of their equity interests in Chongqing Zongshen Financial Leasing (the "Option"). The Option is exercisable on 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.

The Company has designated this entire hybrid (combined) instrument as at fair value through profit or loss. The fair value of the financial asset (level 3) was determined by an independent external valuer, Baker Tilly Consultancy (Singapore) Pte Ltd based on the adjusted net assets approach.

17. OTHER ASSETS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets				
Prepayment for purchase of land[a]	**626**	676	**–**	–
Current assets				
Prepayments	**476**	237	**21**	15
Deposits to secure services	**99**	59	**2**	9
	575	296	**23**	24

(a) On 14 January 2008, AP Vietnam, a subsidiary of the Company, entered into an agreement with a Vietnamese company with the intention of establishing a joint arrangement for the purpose of acquiring three parcels of land in Vietnam. To this end, AP Vietnam has made a deposit of US$468,800. However, as at 31 December 2017, the land purchase has not yet been completed nor has the joint arrangement been set up. These are also not expected to be finalised within the next 12 months from the end of the reporting year. Accordingly, the prepayment is classified as non-current asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

18. INVENTORIES

	Group	
	2017	2016
	$'000	$'000
Finished goods and goods for resale	**1,800**	2,029
Raw materials	**3,198**	5,300
	4,998	7,329
Raw materials used	**76,161**	54,515
Write-down of inventories to profit or loss included in cost of sales	**19**	12
Changes in inventories of finished goods and goods for resale	**(229)**	277

There are no inventories pledged as security for liabilities.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables				
Outside parties	**11,453**	10,104	**674**	725
Less: Allowance for impairment	**(683)**	(724)	**(674)**	(720)
	10,770	9,380	**–**	5
Other receivables				
Other receivables	**11**	32	**24**	36
Subsidiaries (note 3)[a]	**–**	–	**6,072**	8,503
	11	32	**6,096**	8,539
	10,781	9,412	**6,096**	8,544

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Movements in above allowance				
At beginning of year	**724**	770	**720**	710
Charge for trade receivables to profit or loss included in other losses (note 6)	**9**	–	**–**	–
Amounts written-off	**(4)**	(56)	**–**	–
Foreign exchange adjustments	**(46)**	10	**(46)**	10
At end of year	**683**	724	**674**	720

(a) Included in other receivables due from subsidiaries is an amount of $421,797 (2016: $475,576) which is unsecured, bears interest at 3.5% (2016: 3.5%) per annum and is repayable within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not restricted in use	**31,478**	37,724	**10,556**	10,949
Cash pledged for bank facilities[a]	**555**	554	**–**	–
Cash at end of year	**32,033**	38,278	**10,556**	10,949
Interest earning balances[b]	**23,704**	23,584	**9,881**	8,728

(a) This amount is pledged to the bank for bank facilities granted to a subsidiary.

(b) The rate of interest for the cash on interest earning balances was between 0.05% and 1.50% (2016: 0.02% and 1.40%) per annum.

20A. Cash and cash equivalents in statement of cash flows

	Group	
	2017	2016
	$'000	$'000
Amount as shown above	**32,033**	38,278
Cash pledged for bank facilities	**(555)**	(554)
Cash and cash equivalents for statement of cash flows purposes at end of year	**31,478**	37,724

20B. Non-cash transactions

In prior year 31 December 2016, the Group acquired certain items of plant and equipment with a total cost of $60,000 by means of finance leases. During the current year, there was no acquisition of items of plant and equipment by means of finance leases.

20C. Reconciliations of liabilities arising from financing activities

The movement of the liabilities arising from financing activities are as follows:

	Group	
	2017	2016
	$'000	$'000
Finance leases		
At beginning of the year	**63**	82
Cash flows – repayment during the year	**(40)**	(19)
At end of the year (note 23)	**23**	63

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

21. SHARE CAPITAL

	Company	
	Number of shares issued '000	Share capital $'000
Ordinary share of no par value		
At 1 January 2016, 31 December 2016 and 31 December 2017	164,531	6,606

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

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 registrars 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).

External borrowings are insignificant. Accordingly, the debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of 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 2017

22. OTHER RESERVES

Group	Capital reserve(#) $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Total $'000
At 1 January 2016	5,230	(5)	897	6,122
Increase in fair value of available-for-sale assets at fair value through other comprehensive income (note 16)	–	28	–	28
Exchange difference on translation from functional currency to presentation currency	–	–	871	871
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	–	(44)	(44)
At 31 December 2016	5,230	23	1,724	6,977
Increase in fair value of available-for-sale assets at fair value through other comprehensive income (note 16)	–	24	–	24
Exchange difference on translation from functional currency to presentation currency	–	–	(3,165)	(3,165)
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	–	69	69
At 31 December 2017	**5,230**	**47**	**(1,372)**	**3,905**

(#) Capital reserve arose from the capitalisation of retained earnings by way of bonus issue of shares of subsidiaries to the Company. The capital reserve is not available for cash dividends.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

22. OTHER RESERVES (CONTINUED)

Company	Fair value reserve $'000	Foreign currency translation reserve $'000	Total $'000
At 1 January 2016	(5)	410	405
Increase in fair value of available-for-sale assets at fair value through other comprehensive income (note 16)	28	–	28
Exchange difference on translation from functional currency to presentation currency	–	747	747
At 31 December 2016	23	1,157	1,180
Increase in fair value of available-for-sale assets at fair value through other comprehensive income (note 16)	24	–	24
Exchange difference on translation from functional currency to presentation currency	–	(2,392)	(2,392)
At 31 December 2017	**47**	**(1,235)**	**(1,188)**

23. FINANCE LEASES

Group 2017	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within 1 year	**24**	**(1)**	**23**
	24	**(1)**	**23**
Net book value of plant and equipment under finance leases			**187**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

23. FINANCE LEASES (CONTINUED)

2016	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within 1 year	42	(2)	40
Due within 2 to 5 years	24	(1)	23
	66	(3)	63
Net book value of plant and equipment under finance leases			263

There are leased assets under finance lease. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligation under finance lease is secured by the lessor's charge over the leased assets.

	2017	2016
Average lease term in years	**2**	3
Average effective borrowing rate per annum	**2.68%**	2.84%

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables				
Outside parties and accrued liabilities	**7,367**	7,185	**1,001**	1,170
Other payables				
Subsidiaries	**–**	–	**8,480**	8,307
Deposits from customers	**788**	1,288	**–**	–
Other payables	**529**	292	**–**	–
	1,317	1,580	**8,480**	8,307
	8,684	8,765	**9,481**	9,477

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

25. CAPITAL COMMITMENTS

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Commitment to subscribe for equity interests in unquoted entity (note 16)	**–**	5,179	**–**	5,179

26. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	**471**	482	**115**	104
Later than 1 year but not later than 5 years	**1,690**	1,774	**372**	417
Later than 5 years	**3,110**	3,815	**1,720**	2,008
Rental expense for the year	**519**	875	**–**	–

Operating lease payments represent rentals payable for the land on which the factory properties of the Group are located, workers' dormitories and vehicles. The lease rental terms are negotiated for a term of 2 to 30 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

27A. Categories of financial assets and liabilities

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Cash and bank balances	**32,033**	38,278	**10,556**	10,949
Loans and receivables	**10,781**	9,412	**6,096**	8,544
Available-for-sale assets at fair value through other comprehensive income	**840**	887	**840**	887
Available-for-sale assets at fair value through profit or loss	**4,881**	–	**4,881**	–
	48,535	48,577	**22,373**	20,380
Financial liabilities				
Trade and other payables measured at amortised cost(#)	**7,896**	7,477	**9,481**	9,477
Other financial liabilities measured at amortised cost	**23**	63	**–**	–
	7,919	7,540	**9,481**	9,477

(#) Excludes deposits from customers

Further quantitative disclosures are included throughout these financial statements.

27B. 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 including 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 and actions to be taken in order to manage these 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27B. Financial risk management (Continued)

(iii) All financial risk management activities are carried out and monitored by senior management staff.

(iv) All financial risk management activities are carried out following good 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.

27C. 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.

27D. Credit risk on financial assets

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

Other than cash pledged for bank facilities, cash and cash equivalents balances as disclosed in note 20 represent short term deposits with a less than 90 days maturity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27D. Credit risk on financial assets (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 (2016: 30 to 90 days). However, certain customers may take a longer period to settle the amounts.

Ageing analysis of trade receivable amounts that are past due but not impaired:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Past due within 30 days	**750**	607	**–**	–
Past due over 30 days	**771**	1,169	**–**	5
	1,521	1,776	**–**	5

Ageing analysis of trade receivable amounts that are impaired:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Over 365 days	**683**	724	**674**	720

The allowance disclosed in note 19 on trade receivables is based on individual accounts totalling $683,000 (2016: $724,000) that are determined to be impaired at the end of reporting year. These are not secured.

Other receivables are normally with no fixed terms of repayment and therefore there is no maturity.

Concentration of trade receivable customers at the end of reporting year:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Top 1 customer	**2,507**	2,762	**–**	4
Top 2 customers	**4,604**	4,197	**–**	4
Top 3 customers	**5,032**	4,873	**–**	5

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than 1 year $'000	1 to 5 years $'000	Total $'000
2017			
Gross finance lease obligations	**24**	**–**	**24**
Trade and other payables[#]	**7,896**	**–**	**7,896**
	7,920	**–**	**7,920**
2016			
Gross finance lease obligations	42	24	66
Trade and other payables[#]	7,477	–	7,477
	7,519	24	7,543

Company	Less than 1 year $'000	Total $'000
2017		
Trade and other payables	**9,481**	**9,481**
2016		
Trade and other payables	9,477	9,477

(#) Excludes deposits from customers

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 the end of reporting year, no claims on financial guarantees are expected.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27E. Liquidity risk – financial liabilities maturity analysis (Continued)

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 (2016: 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.

27F. 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets with interest				
Fixed rate	**17,827**	13,125	**6,273**	3,842
Floating rate	**5,877**	10,565	**3,609**	4,992
	23,704	23,690	**9,882**	8,834
Financial liabilities with interest				
Fixed rate	**23**	63	**–**	–

	Group	
	2017	**2016**
	$'000	**$'000**
Financial assets (floating rate)		
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	**59**	106

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

The analysis has been performed for fixed interest rate and 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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27G. Foreign currency risks

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

Group 2017	USD $'000	SGD $'000	Others $'000	Total $'000
Financial assets				
Cash and cash equivalents	**391**	**5,110**	**3**	**5,504**
Trade and other receivables	**140**	**1,169**	**–**	**1,309**
Total financial assets	**531**	**6,279**	**3**	**6,813**
Financial liabilities				
Trade and other payables	**81**	**1,927**	**–**	**2,008**
Total financial liabilities	**81**	**1,927**	**–**	**2,008**
Net financial assets at end of year	**450**	**4,352**	**3**	**4,805**

Group 2016	USD $'000	SGD $'000	Others $'000	Total $'000
Financial assets				
Cash and cash equivalents	724	8,766	22	9,512
Trade and other receivables	148	1,218	–	1,366
Total financial assets	872	9,984	22	10,878
Financial liabilities				
Trade and other payables	28	890	52	970
Total financial liabilities	28	890	52	970
Net financial assets/(liabilities) at end of year	844	9,094	(30)	9,908

Company 2017	SGD $'000	Others $'000	Total $'000
Financial assets			
Cash and cash equivalents	**3,962**	**–**	**3,962**
Trade and other receivables	**4,508**	**–**	**4,508**
Total financial assets	**8,470**	**–**	**8,470**
Financial liabilities			
Trade and other payables	**904**	**–**	**904**
Total financial liabilities	**904**	**–**	**904**
Net financial assets at end of year	**7,566**	**–**	**7,566**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

27G. Foreign currency risks (Continued)

Company 2016	SGD $'000	Others $'000	Total $'000
Financial assets			
Cash and cash equivalents	4,280	12	4,292
Trade and other receivables	6,827	–	6,827
Total financial assets	11,107	12	11,119
Financial liabilities			
Trade and other payables	1,049	–	1,049
Total financial liabilities	1,049	–	1,049
Net financial assets at end of year	10,058	12	10,070

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

Sensitivity analysis for significant items

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
A hypothetical 10% depreciation in exchange rate of functional currency against USD would have a favourable effect on profit before tax of	**45**	84	**–**	–
A hypothetical 10% depreciation in exchange rate of functional currency against SGD would have a favourable effect on profit before tax of	**435**	909	**757**	1,006

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

28. ITEMS IN PROFIT OR LOSS

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

	Group	
	2017	**2016**
	$'000	**$'000**
Audit fees to independent auditor of the Company	**140**	140
Other fees to independent auditor of the Company	**20**	19
Audit fees to other independent auditors	**6**	6
Other fees to other independent auditors	**8**	24

29. SUBSEQUENT EVENTS

On 26 February 2018, the directors proposed a final dividend of 0.50 cents per share, amounting to $823,000 in total. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to the shareholders.

30. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

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

Convergence with International Financial Reporting Standards ("IFRS")

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

The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

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

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-28	Amendments to Investments in Associates and Joint Venture – Sale or Contribution of Assets	1 Jan 2018
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers Amendments to SFRS(I) 15: Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples and Amendments to Guidance on Other Standards	1 Jan 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

31. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 will replace SFRS(I) 1-39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("ECL") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, SFRS(I) 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from SFRS(I) 1-39.

On the basis of the facts and circumstances that exist as at 31 December 2017, the Company does not anticipate that the application of the new standard will have a material impact on the financial position and financial performance of the entity, apart from providing more extensive disclosures on the entity's financial instruments.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 effective for annual periods beginning on or after 1 January 2018 replaces other standards on revenue and the related Interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). SFRS(I) 15 will be adopted in the financial statements when it becomes mandatory and the full retrospective method of transition to the new standard will be used.

On the basis of the current accounting treatment of the major sources of revenue, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

31. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019 and it replaces SFRS(I) 1-17 and its Interpretations. For the lessee, the biggest change introduced is that almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the lessor, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. SFRS(I) 16 will be adopted in the financial statements when it becomes mandatory, with the following effects: For the Company's non-cancellable operating lease commitments of $5,271,000 as at 31 December 2017 (note 26), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under SFRS(I) 16. Thus, the reporting entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases – unless they qualify for low value or short-term leases upon the application of SFRS(I) 16 – which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of SFRS(I) 16 is not expected to have a material impact on the finance lease amounts recognised in the financial statements.

INFORMATION ON SHAREHOLDINGS

AS AT 16 MARCH 2018

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 Shareholders	%	No. of Shares	%
1 – 99	29	1.92	1,079	0.00
100 – 1,000	136	9.03	68,869	0.04
1,001 – 10,000	497	32.98	3,094,644	1.88
10,001 – 1,000,000	832	55.21	45,133,781	27.43
1,000,001 and above	13	0.86	116,232,799	70.65
Total:	**1,507**	**100.00**	**164,531,172**	**100.00**

Shareholding held by the public

Based on the information available to the Company as at 16 March 2018, 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

Name 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
Mr Lau Woon Chan[1]	17,531,250	10.66	61,406,250	37.32
Mdm Ho Chee Hon	11,168,937	6.79	–	–

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 16 MARCH 2018

AP OIL INTERNATIONAL LIMITED

Twenty Largest Shareholders as at 16 March 2018

	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	11,168,937	6.79
4	UOB KAY HIAN PTE LTD	3,842,400	2.33
5	RAFFLES NOMINEES (PTE) LTD	3,366,600	2.05
6	NEO BENG BENG	3,073,000	1.87
7	LAU TONG HONG	3,037,500	1.85
8	DBS NOMINEES PTE LTD	2,882,925	1.75
9	HO AYE ENG	2,585,375	1.57
10	PHILLIP SECURITIES PTE LTD	1,990,762	1.21
11	ABN AMRO CLEARING BANK N.V.	1,916,000	1.16
12	ONG LAY CHOO	1,900,000	1.15
13	HAN SEE KWANG	1,531,800	0.93
14	CHEE KWAI FUN	1,000,000	0.61
15	HAN CHOON SIANG	862,000	0.52
16	WONG MAN ON	804,000	0.49
17	NG ZHENG XIONG	769,000	0.47
18	CHOO YUIN TIEN	715,312	0.43
19	TAN MIOW CHIN	705,000	0.43
20	LEE CHUE CHYE, LIONEL	700,000	0.43
	TOTAL	**121,788,111**	**74.02**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of the members of the Company will be held at 333 Boon Lay Way, Jurong Safra, Singapore 649848 on 26 April 2018 at 2.00 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 2017 and the Auditors' Report thereon. — Resolution 1

2. To declare a final exempt (one-tier) dividend of 0.50 cents per ordinary share for the year ended 31 December 2017. — Resolution 2

3. To re-elect the following director retiring pursuant to the Company's Constitution: — Resolution 3

   Mr Chang Kwok Wah (Article 107)

4. To re-elect the following director retiring pursuant to the Company's Constitution: — Resolution 4

   Mr Tan Woon Hum (Article 107)

   See Explanatory Note (i)

5. To approve the Directors' Fees of SGD90,000/- for the year ending 31 December 2018, payable half-yearly in arrears. — Resolution 5

6. To re-appoint Messrs RSM Chio Lim LLP as the Auditors for the ensuring year and to authorise the Directors to fix their remuneration. — Resolution 6

AS SPECIAL BUSINESS

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

7. **Proposed Share Issue Mandate** — Resolution 7

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any 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, if any) 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, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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 which are outstanding or subsisting at the time of the passing of this Resolution; and

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

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

NOTICE OF ANNUAL GENERAL MEETING

(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 (ii)

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

Explanatory Notes:

(i) Mr Tan Woon Hum shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Tan Woon Hum shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(ii) The proposed Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to shareholders.

BY ORDER OF THE BOARD

LAU TAI CHONG
Company Secretary

Date: 6 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. 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.

c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 30 Gul Crescent Jurong Singapore 629535 not less than 48 hours before the meeting.

d) A proxy need not be a member of the Company.

Personal Data Privacy:

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

SUSTAINABILITY REPORT CONTENTS

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is AP Oil International Limited's ("AP Oil" or "Group") inaugural Sustainability Report. The report presents our Environmental, Social and Governance (ESG) performance for the period 1 January 2015 to 31 December 2017.

This report covers AP Oil's ESG performance for business operations in Singapore and excludes overseas subsidiary. 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's turnover and operations. AP Oil intends to publish the Sustainability Report for each financial year, to be included in the Annual Report.

Reporting Framework

This report has been prepared in accordance with the GRI standards: Core option. GRI is the most widely used framework for sustainability reporting worldwide. The report complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. The report includes a GRI Index as well as SGX Primary Components Index to indicate the location of the relevant disclosures.

We have used the GHG Protocol Corporate Accounting and Reporting Standard for measuring and reporting AP Oil's carbon emission.

Reporting Process

The Board is responsible for providing direction to the Management in developing a sustainability strategy and report. The Board determines the ESG factors and disclosure to be included 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 AP Oil and Major Subsidiaries. The Committee has identified the material ESG factors applicable to AP Oil with assistance from an external sustainability consultant. The Committee is responsible for the report content, scope and boundary for sustainability reporting and issues noted.

A project team has been set up to collect, verify and provide ESG performance data for the Sustainability Report.

Report Content and Quality

The report content includes the materiality assessment of the ESG factors and the stakeholder expectations. Potential ESG risks, opportunities and general sustainability trends have been taken into account.

We have applied the principles of accuracy, balance, clarity, comparability, reliability and timeliness to ensure report quality.

Data contained in the report have been extracted mainly from internal systems and records to ensure accuracy and consistency. Commonly used international measurement units have been used for presenting the information. Financial figures are in Singapore dollars.

This being the first year of our Sustainability Report, we faced challenges in retrieving some of the data for prior years and relied on estimate where data was partially available.

Restatement

As this is our first Sustainability Report, restatement does not apply.

SUSTAINABILITY REPORT

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

Availability
This report is published for inclusion in the Annual Report 2017.

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

ESG PERFORMANCE			
MATERIAL ESG FACTORS	2015	2016	2017
ENVIRONMENTAL			
CO_2e emissions (t)	428	410	357
Total energy consumption (GJ)[2]	4,571	4,379	3,901
Electricity used (kWh)	663,281	627,766	520,357
Water consumption (m^3)	19,991	25,829	14,986
Wastewater (tonne)[3]	3,488	3,432	3,226
Hazardous waste (Kg)	3,400	3,200	11,400
SOCIAL			
Employees			
Permanent employees	119	117	110
New hires	28	18	26
Female employees – %	29	30	32
Female managers and supervisors – %	26	26	31
Female Heads of Department (HODs) – %	40	40	40
Training expenditure per employee ($)	284	145	73
Employee turnover rate (%)	20	21	28
Fatal accidents	zero	zero	zero
FINANCIAL ($'000)			
Revenue	85,657	79,140	91,954
Profit net of tax	3,750	3,334	2,402
Employee wages and benefits	7,280	7,305	7,331
Dividends declared to shareholders	823	2,057	823

Notes:

1. ESG performance data relates to the Major Subsidiaries
2. Energy consumption refers to electricity, diesel and petrol consumption
3. Wastewater data refers to A.I.M. Chemical and GB Chemicals; and hazardous waste data refers to GB Chemicals

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 we have a good understanding of the key stakeholders' concern and expectation, and develop practical and responsive sustainability strategies. We identify and prioritize issues based on the impact of our business on stakeholders or the potential impact on our business from stakeholders' view 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' expectation and concern by including relevant material topics and disclosure throughout this Sustainability Report.

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

Stakeholder	Engagement method	Key topic and concern	How we meet expectation
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 certifications from Original Equipment Manufacturers (OEMs).
Employees	Regular team meetings, training workshops, standard operating procedures (SOP), emails, 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 indicators incentives, objective performance appraisal, and attractive 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 as per contracts, and offer fair payment term.

SUSTAINABILITY REPORT

Stakeholder	Engagement method	Key topic and concern	How we meet expectation
Government and regulators	Newsletter, notification, email, website, licensing and permits Regular discussion with relevant agency and department, meeting with auditor/ inspector, email, telecommunication and Sustainability Report.	Regulatory compliance with environmental, safety and health regulation, employment law and other applicable law. Cooperation during audit, inspection and when information is sought.	Implementing policy and procedure to comply with regulation, and keeping updated with latest regulation.
Community	Community initiative, website, and Sustainability Report.	Be a responsible company, good corporate citizen and provide employment opportunities.	Ensuring safe manufacturing and distribution operation, and ISO 14001:2004 certification for environmental protection and OHSAS 18001:2007 certification for health and safety.
Shareholders and investors	Annual General Meeting, Board meeting, Annual Report and investor update on 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:

- Singapore Business Federation
- Asian Lubricants Manufacturers Union
- 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, people, environment, communities and shareholders.

Our sustainability approach is rooted in our corporate culture that promotes diligence, sincerity, loyalty and harmony. As 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 14000 and OHSAS 18000 certification that reflect commitment to protecting the environment and ensuring health and safety of our people.

In 2017, we conducted a comprehensive review of our sustainability approach. We carried out a materiality assessment to reassess the environmental, social and economic impact, risks and opportunities. The materiality assessment workshop, facilitated by an external sustainability consultant, was attended by senior representatives from AP Oil and the Major Subsidiaries.

The teams focused on the significant impact of respective businesses on the economy, environment and communities; and how this shape stakeholders' view on the companies. The teams considered stakeholders' view and expectation, routine interaction with various groups such as employees, customers, suppliers, vendors, regulators, investors and communities.

The teams took into account the general sustainability trends in the chemical industry business sectors. To establish sustainability priorities, the teams considered the AP Oil corporate values and long-term business goals. The teams then identified and prioritized the most important topics based on their potential impact, risks and opportunities and the potential effect on the stakeholders.

Finally, the teams identified and selected appropriate disclosures from the GRI Standards for inclusion in the Sustainability Report.

Board Statement

AP Oil 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

A summary of the material ESG factors in the Major Subsidiaries and the extent of involvement is presented below.

Material ESG Topics	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

With this Sustainability Report, we have mapped out the ESG performance data for the past three years and established 2015 as the base year. 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 several international standards. Our commitment to quality, health and safety and environmental management is reflected in the certification that the Group have received. Some of the more important certification include:

- ISO 9001:2008
- ISO 14001:2004
- OHSAS 18001:2007
- bizSAFE Level Star

Sustainability Governance

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

The Board is assisted by the Sustainability Committee, which is headed by the Group Chief Executive Officer. The Committee includes representatives from the main business units and functions. A cross-functional team has the responsibility to collect and verify performance data for the material ESG factors. A project coordinator assists the Group Chief Executive Officer in steering the Sustainability Report process.

ENVIRONMENT

Our approach is to minimize the potential environmental impacts, risks and hazards associated with our operations.

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 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 waste, resource depletion, noise and odor, and potential hazards.

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

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

Energy

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

SUSTAINABILITY REPORT

We consider the energy efficiency of equipment at the time of purchase. We use only energy efficient light bulb to minimize consumption.

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

We monitor our energy usage to identify opportunities for reduction.

Greenhouse Gas (GHG) Emission

We support the Paris Agreement to mobilise global effort to limit the temperature rise to below 2ºC 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 emission footprint is presented below.

Carbon Dioxide (CO_2) Emission			
	2015	**2016**	**2017**
Mobile	85	80	76
Stationary	63	64	61
Scope-1	**148**	**144**	**137**
Purchased electricity	280	266	220
Scope-2	**280**	**266**	**220**
Total	**428**	**410**	**357**

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 the 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 system, 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 necessary measures to prevent accidental contamination of water due to unintentional chemical and oil spill.

SUSTAINABILITY REPORT

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, paints and 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 material by ensuring that the final product specifications are correct.

We have implemented procedures for segregating waste at the 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 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 Spills

Our target is to have zero spill to land or drainage by taking preventive measures and ensuring emergency preparedness.

We have placed dispersants and spill control kits at designated points to manage accidental spills. The production and engineering department has the responsibility to ensure spill kits are always ready and accessible. We have implemented yearly chemical and oil spill drill, to respond quickly and safely in the event of a spill and to minimize 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 risk. We have an ongoing employee education program to promote environmental awareness. The production and engineering departments periodically review work instructions and methods to minimize hazards. Weekly tool box meetings are organized to discuss the job scope and safety procedures.

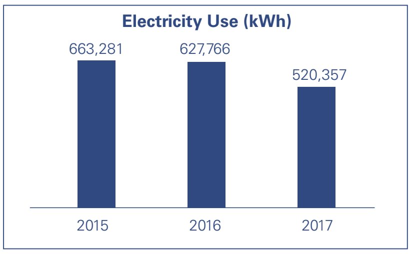
SUSTAINABILITY REPORT

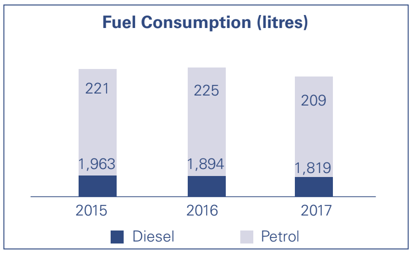
Environmental Compliance

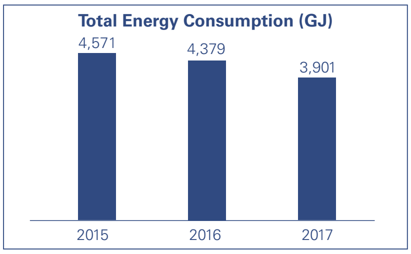
The Group is committed to complying with applicable environmental regulations and international standards which we subscribe. Our target is to have zero incidents of non-compliance. Our production and engineering departments have implemented a comprehensive environmental control program and regularly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

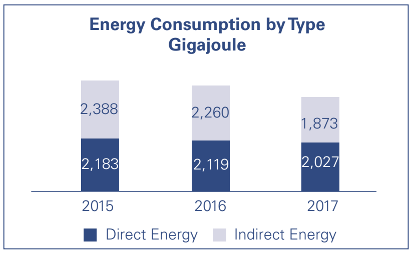
There were no incidents of non-compliance with environmental laws in the reported period.

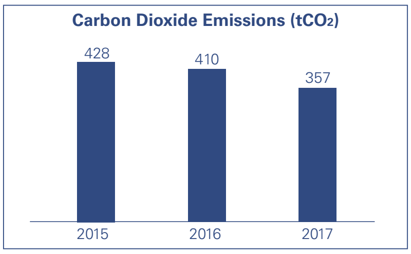
Environmental Performance

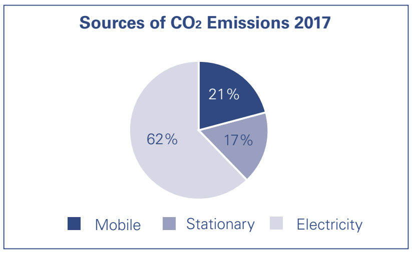


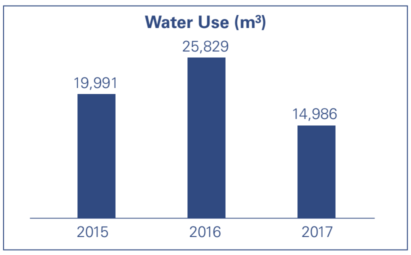


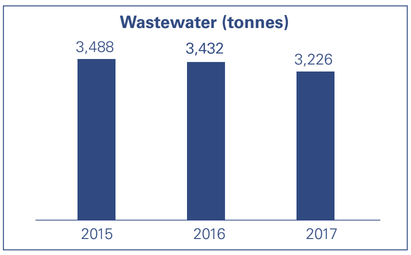












PEOPLE

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.

SUSTAINABILITY REPORT

Diligence, devotion, loyalty, harmony and teamwork are part of our corporate values. These values have enabled AP Oil to overcome challenges and grow in the past decades; and emerge as one of the leading lubricant and specialty chemical specialists in 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 AP Oil, A.I.M. Chemical, and GB Chemicals.

Employment
As at 31 December 2017, we employed 110 people in Singapore as against 117 in the prior year. Production, clerical and other non-executive jobs accounted for 44 per cent 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 nationalities to make it culturally diverse.

In 2017, women represented 32 per cent of our workforce even though it's challenging to attract women employees to work in chemicals manufacturing operation. Women held 31 per cent of supervisory and managerial jobs, and 40 per cent of the Head of Department position.

Hiring
Our policy is to hire on merit and qualification. In 2017, we hired 26 new employees, 6 were women; 46 per cent were below the age of 30 years; 42 per cent in the 30 to 50 years age group and the balance 12 per cent 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. In 2017, our training expenditure per employee was $73, as major training programs were completed in previous 2 years.

Employee Engagement & Benefits
We follow open door policy whereby 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 (EHS) committee and ongoing safety briefing sessions and environmental awareness campaigns. Employees are also engaged through conventional means of communication such as internal memos, notice boards and emails. Our permanent staff members enjoy a host of benefits and competitive wages.

Performance Management
We drive a performance culture 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.

SUSTAINABILITY REPORT

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

Employee Turnover

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

In 2017, due to employee retirement and foreign workers returning to their home country, the employee turnover was 28%, higher than 21% in 2016.

2017 employee departure at the Major Subsidiaries is summarised below.

Company	Employee Departure 2017	
	Male	Female
AP Oil Pte Ltd	12	5
A.I.M. Chemical Industries Pte Ltd	10	1
GB Chemicals Pte Ltd	3	0

Health and Safety

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

Our facilities maintain OHSAS 18001 certification reflecting our commitment to international standards of occupational health and safety. We have also received BizSafe Star certification from the Workplace Safety and Health Council, Singapore. The senior management reviews our health and safety performance on a monthly basis.

Our Group companies have established workplace safety and health (WSH) Committees chaired by the respective managing directors or chief executive officers, which included representatives from various functions. The Committees regularly meet to review the safety performance and to determine improvement plans.

Based on a 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 the production area are required to use 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 in the reported period. We had only one case of reportable injury in 2017. There were no reportable incident of occupational disease in 2017.

SUSTAINABILITY REPORT

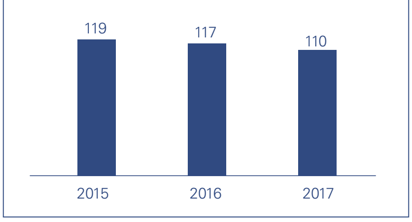
Human Rights

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.

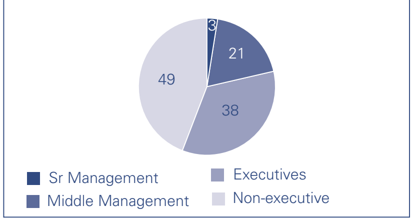
There were no confirmed incident of child labor, forced labor or discrimination in the reported period.

People Performance

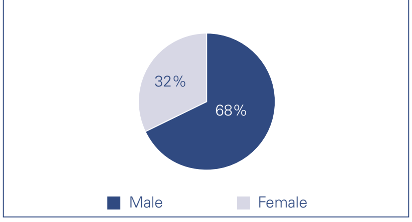
Number of Employees



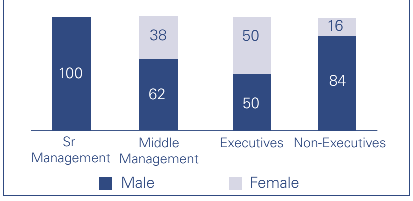
Employees by Category 2017



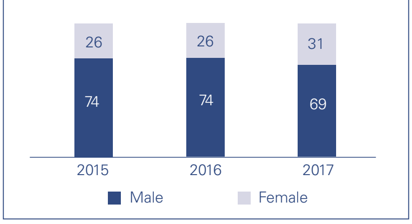
Gender Diversity 2017



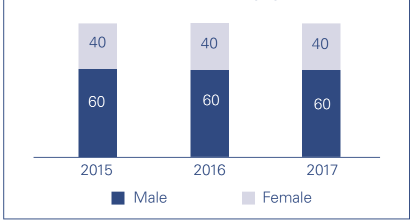
Gender Diversity by Employee Category (%) 2017



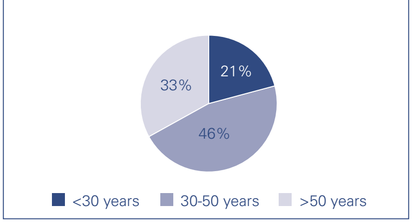
Female Managers and Supervisors (%)



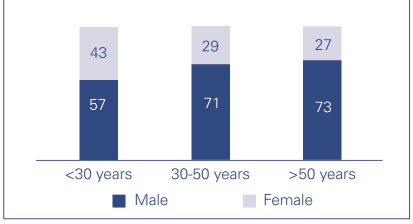
Female HODs (%)



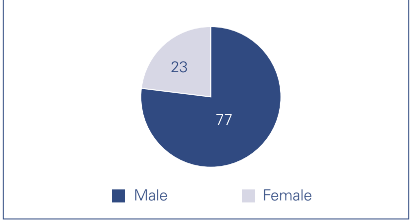
Age Diversity 2017



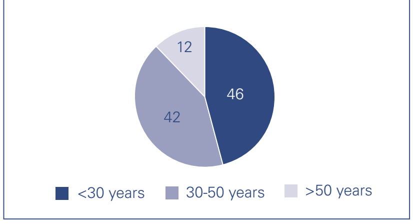
Age and Gender Diversity 2017 (%)



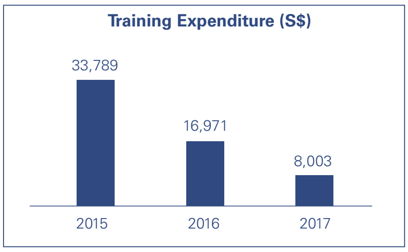
New Hiring by Gender 2017 (%)

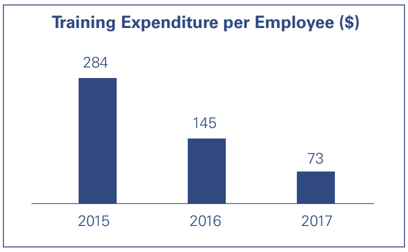


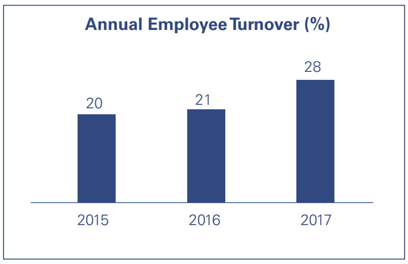
New Hiring by Age 2017 (%)

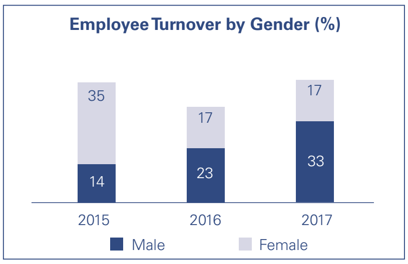


SUSTAINABILITY REPORT









CUSTOMERS

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

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

There is a global trend of growing concerns about the safe use of chemicals and the potential impact of chemicals manufacturing and transportation on the 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 at AP Oil.

Our facilities are also certified to ISO 14001 and OHSAS 18001 to assure customers that our products are made in the environmentally responsible manner and by adhering to international 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 obtain certification from major Original Equipment-Manufacturers (OEM), including Daimler Chrysler, Porsche, Volkswagen, GM, MB, MACK, MAN, VOITH, CUMMINS, and NMMA.

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.

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

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

SUSTAINABILITY REPORT

Research and Development

We invest in research to develop innovative solutions for our 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 (ICP-AES) 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 the existing products and formulate new products to meet the ever-evolving market demands. Activities focus on developing customised lubricants for specific needs of customers and on improving the operational efficiency and cost-effectiveness. Product innovation and upgrading in specialty chemicals are the 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.

Suppliers

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

COMMUNITY

AP Oil is committed to be a responsible corporate citizen by minimizing 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.

ECONOMIC PERFORMANCE INDICATORS ($'000)			
	FY2017	**FY2016**	**FY2015**
Revenue	91,954	79,140	85,657
Profit after tax	2,402	3,334	3,750
Total expenses (including staff costs)			
Employee benefits	7,331	7,305	7,280
Income tax expense	302	456	225
Dividends declared	823	2,057	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	1, 15-17
	102-3 Location of headquarters	Singapore
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	102-5 Ownership and legal form	111-112
	102-6 Markets served	1
	102-7 Scale of the organisation	118
	102-8 Information on employees and other workers	130-131
	102-9 Supply chain	132
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary principle or approach	118,124
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	103-2 The management approach and its components	132
	103-3 Evaluation of the management approach	132
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AP Oil International Limited

Registration No. 197502257M
(Incorporated in Singapore)

PROXY FORM

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ____

of ____

being a member(s) of **AP Oil International Limited** (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 2018 Annual General Meeting of the Company to be held on Thursday, 26 April 2018 at 333 Boon Lay Way, Jurong Safra, Singapore 649848 at 2.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Statements and Audited Financial Statements for the financial year ended 31 December 2017		
2	Declaration of final exempt (one-tier) dividend of 0.50 cents per ordinary share for the year ended 31 December 2017		
3	Re-election of Mr Chang Kwok Wah as Director		
4	Re-election of Mr Tan Woon Hum as Director		
5	Approval of Directors' Fees of SGD90,000 for the year ending 31 December 2018, payable half-yearly in arrears		
6	Re-appointment of RSM Chio Lim LLP as Auditors		
7	Authority to issue shares		

Signed this _________ day of ___________________ 2018

Total number of shares held	

____

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. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the general meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. 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 a proxy or proxies must be deposited at the registered office of the Company at 30 Gul Crescent Singapore 629535 not less than 48 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney, duly authorized in writing or by an authorised officer of the corporation.

6. Where an instrument appointing a proxy or proxies 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 a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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 6 April 2018.

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Mr Chang Kwok Wah, MBA

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