Independent auditor's report to the members of AnAn International Limited
(Formerly known as CEFC International Limited and its subsidiaries)

Report on the audit of the financial statements

Qualified Opinion

We have audited the financial statements of AnAn International Limited (formerly known as CEFC International Limited and its subsidiaries) (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017, and its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Recoverability of Group's trade receivables from a related party

As disclosed in Note 15, the Group through its wholly owned subsidiary, Singapore AnAn Petrochemical & Energy Pte. Ltd. (formerly known as Singapore CEFC Petrochemical & Energy Pte Ltd) ("SPE"), has US$124.52 million of trade receivables due from a related party. The Group had recorded a full impairment during the year against the amount. Based on the limited financial information made available to us regarding the related party, we are unable to obtain sufficient appropriate audit evidence so as to satisfy ourselves on the appropriateness of the allowance for doubtful debt recorded by the Group. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

Recoverability of amounts due from subsidiary

As disclosed in Note 18, the Company has amounts of US$122.3 million due from SPE, a subsidiary whereby the recoverability is dependent on SPE's ability to recover the trade receivables from a related party as described in the above paragraph. SPE had recorded a full impairment against the trade receivables during the year. The Company had also similarly recorded a full impairment against the amounts due from SPE. Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the allowance for doubtful debt recorded by the Company. Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 qualified audit opinion.

Other information

Management is responsible for 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. Based on the matters as described in the Basis for Qualified Opinion section above, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for business combination

During the financial year ended 2016, the Group acquired 100% shareholding in AnAn Assets Management & Equity Investment (Hong Kong) Co., Limited (formerly known as CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited) group of companies ("AnAn AM") for US$20.5 million, and recognised a provisional goodwill of US$7.2 million. This acquisition was accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise in financial year ended 2016. The provisional PPA was finalised in 2017 as disclosed in Note 12 of the financial statements. The Group engaged an independent professional valuer to assist with the PPA exercise.

We determined this to be a key audit matter as the PPA exercise involved identification of the acquired assets and liabilities and their respective fair valuation required significant management judgment and estimates. The provisional carrying amounts of the assets and liabilities and the related goodwill were adjusted accordingly on a retrospective basis upon the finalisation of the PPA in 2017. The finalised PPA resulted in a downward adjustment of US$1.4 million to the provisional goodwill and a corresponding adjustment to certain assets and liabilities including properties, plants and machineries, investments in associates and joint ventures and others as disclosed in the financial statements.

Key audit matters (cont'd)

Accounting for business combination (cont'd)

As part of our audit, we obtained the finalised PPA valuation report prepared by management and the independent professional valuer engaged by the Group, and reviewed the valuation methodology used. We focused on the key assumptions and inputs used in the fair value adjustments to the properties, plants and machineries and investments in associates and joint ventures. We assessed the nature and basis of the valuation adjustments to these assets and whether the assumptions used in valuing these assets were consistent with what a market participant would use. We also assessed the adequacy of the related disclosures in Note 12 to the financial statements.

Impairment assessment of goodwill

Goodwill arising from the acquisition of AnAn AM amounted to US$5.8 million, which represents 6.3% of the total non-current assets of the consolidated balance sheet. In accordance with IAS 36 Impairment of Assets, management has performed goodwill impairment assessment as at 31 December 2017.

We considered the audit of management's impairment assessment of the goodwill to be a key audit matter due to the magnitude of the amount recognised in the financial statements and the assessment process involved significant management judgement, and was based on assumptions that are based on expected future market and economic conditions. Based on the impairment test, management assessed that the goodwill was not impaired as at 31 December 2017.

As disclosed in Note 12, the Group allocated the entire goodwill from its investment in AnAn AM to one cash-generating unit ("CGU"), which is the distribution segment managed under AnAn AM. The key assumptions for the value in use calculations are the discount rate, terminal growth rate, projected revenue and direct costs during the forecasted period. Management estimates the discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The profit forecast, the projected revenue and direct costs during the forecasted period are based on management's understanding and outlook of the market.

As part of our audit, we assessed and tested the appropriateness of the methodology and key assumptions such as discount rate, terminal growth rate and data used by the management by comparing them to external data such as market growth expectations. Our internal valuation specialist assisted us in reviewing the reasonableness of the discount rate and terminal growth rate used. We also assessed the future cash flow projections by reviewing robustness of management's budgeting process by comparing historical budget against actual results.

We also assessed the adequacy of the disclosures made on the impairment assessment in Note 10 to the financial statements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error. 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 have no realistic alternative but to do so.

Those charged with governance are responsible for 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, 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 going concern.

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

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 provisions of the Singapore Companies Act, Chapter 50 (the "Act") to be kept by the subsidiary corporation incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Wilson Woo Siew Wah.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 May 2018

12. Investment in subsidiaries

	Company	
	2017	**2016**
	US$'000	US$'000
Unquoted equity share, at cost	49,160	48,660
Less: Provision for impairment loss	(160)	–
	49,000	–

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held by the Company 2017 %	Effective equity interest held by the Company 2016 %
Held directly by the Company				
Singapore AnAn Petrochemical & Energy Pte. Ltd. [Note a]	Singapore	Trading	100	100
Hong Kong China Energy Finance Service Co., Limited.("HKCEFS") [Note b]	Hong Kong	Investment holding	100	100
AnAn Assets Management & Equity Investment (Hong Kong) Co., Limited. [Note b]	Hong Kong	Investment holding	100	100
AnAn International (USA), LLC [Note e]	USA	Investment holding	100	–
Held through Hong Kong China Energy Finance Service Co., Limited ("HKCEFS")				
Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd. [Note e]	China	Equity trust investment and consultancy services	100	100
Held through AnAn Assets Management & Equity Investment (Hong Kong) Co., Limited ("AnAn AM")				
Rompetrol France SAS. [Note c]	France	Investment holding	51	51
Hong Kong Nomad Petroleum Company Limited [Note b]	Hong Kong	Investment holding	100	100

12. Investment in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held by the Company 2017 %	2016 %
Held through Rompetrol France SAS				
Dyneff SAS. (Note c)	France	Distribution of petroleum products	51	51
Held through Dyneff SAS				
DPPLN SAS (Note c)	France	Storage and distribution of marine oil products	51	51
Dyneff Retail (Note c)	France	Operation of petrol stations	51	51
Dyneff Gas Stations Network SL. (Note e)	Spain	Dormant	51	51
Dyneff Espaῆa S.L.U (Note d)	Spain	Distribution of petroleum products	51	51
Dyneff Trading S.L.U (Note e)	Spain	Operation of petrol stations	51	51
Combustibles De Cerdagne (Note c)	France	Distribution of petroleum products	51	–
Boissonnade Combustibles (Note c)	France	Distribution of petroleum products	51	–

(a) Audited by Ernst & Young LLP, Singapore.
(b) Audited by Ernst & Young, Hong Kong.
(c) Audited by Ernst & Young et L Associés, France.
(d) Audited by Ernst & Young, S.L., Spain.
(e) No audit required as allowed by the laws of the country of incorporation.

Incorporation of a subsidiary

On 19 July 2017, the Group incorporated a wholly-owned subsidiary AnAn International (USA), LLC in New York, United Sates of America. The issued share capital of this new subsidiary amounts to US$10,000,000 and has been partially paid up during the year. Its principal activities is that of investment holdings.

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries

In 2016, the Group acquired 100% shareholding in the AnAn Assets Management & Equity Investment (Hong Kong) Co., Limited group of companies for a consideration of US$20.5 million. Management engaged independent valuation specialists to assist them with the PPA exercise, which was finalised in 2017. As a result, adjustments to the valuation of property, plant and equipment as at 31 December 2016 and 1 January 2017 have been made. Please refer to Note 35 for more details.

The fair values of the identifiable assets and liabilities of AnAn AM Group as at the date of acquisition following the finalisation of the PPA exercise were:

	2016 US$'000
Property, plant and equipment	33,913
Intangible assets	995
Available-for-sale financial assets	4
Investment in associates	6,874
Investment in joint ventures	15,460
Inventories	41,694
Trade and other receivables	141,041
Amounts due from related companies	5,476
Tax recoverable	1,492
Deferred income tax asset	1,285
Cash and cash equivalents	5,565
Total assets	253,799
Trade and other payables	(148,460)
Derivatives financial liabilities	(1,389)
Loans and borrowings	(46,748)
Amounts due to related companies	(10,327)
Provisions	(9,288)
Deferred tax liabilities	(9,343)
Total liabilities	(225,555)
Net identifiable assets at fair value	28,244
Non-controlling interest measured at the non-controlling interest's proportionate share of AnAn AM Group's net identifiable assets	(11,877)
Foreign currency translation reserve	(1,643)
Goodwill arising from acquisition	5,776
Purchase consideration	20,500

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Contingent consideration arrangement

According to statements released by Rompetrol France SAS on its official website on 9 May 2016 and 17 June 2016, its 49% shareholder, KMGI, has been summoned as a civil liability party in a case currently being under investigation by the Directorate for Investigating Organized Crime and Terrorism of Romanian ("DIICOT"). In connection with such investigation, DIICOT has seized certain assets of KMGI and the High Court of Cassation and Justice has maintained the seizure established by DIICOT in May 2016. As at the end of 31 December 2017, the AnAn AM Group have not been affected by the seizure by DIICOT.

To mitigate the potential risks arising from the investigations and seizure by DIICOT, the seller of AnAn AM Group has granted the Group a put option over the Sale Shares pursuant to which the Group has the right (but not the obligation) to require the seller of AnAn AM Group to purchase from the Group all the Sale Shares held by the Group in AnAn AM Group, at a sum amounting to the Purchase Consideration, during the Option Period (as defined below), upon the occurrence of any of the following events:

(a) any order, notice, summons, investigations, inquiries, proceedings and/or other legal actions, by any government or regulatory authority to appropriate, confiscate, destroy, expropriate, freeze, repossess, requisition for title and/or seize any assets of any entities under the AnAn AM Group or disrupt, stop and/or terminate of the business or operations of any entities under the AnAn AM Group, arising from the actions of KMGI, any member of the KazMunayGas Group ("KMG Group") or any entities under the AnAn AM Group (the "Romanian Investigations") which are the subject of the Romanian Investigations (as defined below) and resulting in a material adverse effect on the value, financial conditions, assets, liabilities, businesses and/or operations of any entities under the AnAn AM Group; or

(b) the transfer of the minority 49% equity interest in Rompetrol France SAS to a third party has not been completed within 5 years of the date of Completion.

The Put Option shall be valid from 24 December 2016 until:

(a) one month after the order, notice, summons, investigations, inquiries, proceedings and/or other legal actions by the government or regulatory authorities in Romania in respect of the assets, business and/or operations of KMGI, any member of the KMG Group or any entities under the AnAn AM Group have been permanently discontinued, or concluded in writing with no adverse order, notice and/or summons being made, against any entities under the AnAn AM Group or in respect of the assets, business and/or operations of any entities under the AnAn AM Group; or

(b) the transfer of the minority 49% equity interest in Rompetrol France SAS to a third party is completed, whichever is earlier, (the "Option Period").

Goodwill arising from acquisition

The fair values of the acquired business have been determined following the finalisation of the PPA exercise in 2017. Goodwill arising from this acquisition amounting to US$5,776,000 has been fully allocated to the one cash-generating unit ("CGU"), which is the distribution segment.

12. Investment in subsidiaries (cont'd)

Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that are material to the Group as at the end of 31 December 2017 and 2016:

Name of subsidiary	**Principal place of business**	**Proportion of ownership interest held by non-controlling interest**	**Profit allocated to NCI during the reporting period** US$'000	**Accumulated NCI at the end of reporting period** US$'000	**Dividends paid to NCI** US$'000
Rompetrol France SAS	France	49% (2016: 49%)	1,442 (2016: Nil)	14,748 (2016: 11,877)	–

No dividends had been paid to the NCI in 2017 and 2016.

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Rompetrol France SAS	
	As at 31 December 2017 US$'000	**As at 31 December 2016** US$'000
Current		
Assets	199,951	193,493
Liabilities	(189,440)	(188,657)
Net current assets	10,511	4,836
Non-current		
Assets	70,167	62,320
Liabilities	(39,758)	(34,812)
Net non-current assets	30,409	27,508
Net assets	40,920	32,344

12. Investment in subsidiaries (cont'd)

Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income

	2017 US$'000	**2016** US$'000
Revenue	1,430,855	1,194,416
Profit before income tax	4,789	10,545
Income tax expense	(253)	(3,961)
Profit after tax - continuing operations	4,536	6,854
Other comprehensive income	–	–
	4,536	6,854

Impairment of investment in subsidiary

As disclosed in Note 12, the Company's fully owned subsidiary, Singapore AnAn Petrochemical & Energy Pte Ltd ("SPE"), had fully provided for its outstanding trade receivables of US$125 million owing from a related party, resulting in a net liability position of US$83 million as at 31 December 2017. As a result, the Company had also fully provided for its investment in SPE amounting US$160,000.

15. Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	US$'000	US$'000	US$'000
Non-current				
Other receivables	430	284	–	–
Current				
Trade receivables due from a related party	130,573	151,641	–	–
Allowance for doubtful receivables	(124,520)	–	–	–
	6,053	151,641	–	–
Trade receivables due from third parties	135,773	139,091	–	–
Allowance for doubtful receivables	(4,382)	(3,980)	–	–
	131,391	135,111	–	–
Deposits	328	283	–	–
Margin account with broker	1,773	2,922	–	–
Other receivables	740	2,562	–	–
	140,285	292,519	–	–
Prepayments	365	259	36	52
	140,650	292,778	36	52
Trade and other receivables (non-current and current)	141,080	293,062	36	52

15. Trade and other receivables (cont'd)

Impairment of trade receivables from a related party

As at 31 December 2017, the Group through its fully owned subsidiary, Singapore AnAn Petrochemical & Energy Pte Ltd ("SPE"), had outstanding trade receivables of USD130.57 million owing from a related party, of which USD6.05m had been offset against amounts payable by the Company to the related party in January 2018, with the remaining USD124.52 million due between 11 January 2018 and 16 February 2018. These outstanding trade receivables had not been repaid at the due date, and had continued to be overdue as at the date of this report.

As disclosed in the Group's announcement on SGX on 1 March 2018, the related party had proposed an instalment payment plan with repayment of principal and interest to be made over 4 proposed repayment dates between 11 April 2018 and 16 November 2018. The first two instalments were due on 11 April 2018 and 8 May 2018 respectively, and constitutes 26% of these outstanding trade receivables, with the remaining 74% to be repaid between 8 August 2018 and 16 November 2018. However, the related party had not met the first two repayment schedules.

Consequently, on 17 April 2018, the Group had sent a demand letter to the related party for immediate payment of the amount stated in the first repayment schedule together with accrued interest, and a reminder to make prompt payment of the remaining overdue amounts in accordance with the schedule stated in the instalment payment plan. However, the Group had not received any payment as at the date of this report.

Considering the tenor of overdue and the uncertainty over the recovery of these outstanding trade receivables, the Board and the management of the Group had decided to take a prudent approach and to provide for full impairment of these outstanding trade receivables. Nevertheless, the Group will continue to monitor closely and to seek all possible options to recover these outstanding trade receivables.

The movement in the allowance for impairment in respect of trade receivables from the related party during the year is as follows:

	Group	
	2017	**2016**
	US$'000	US$'000
At 1 January	–	–
Impairment loss recognised in profit and loss	124,520	–
At 31 December	124,520	–

15. Trade and other receivables (cont'd)

Impairment of trade receivables from third parties

The movement in the allowance for impairment in respect of trade receivables from third parties during the year is as follows:

	Group	
	2017	**2016**
	US$'000	US$'000
At 1 January	3,980	–
Acquisition of a subsidiary	–	3,980
Impairment loss recognised in profit and loss	527	–
Amount utilised	(617)	–
Exchange differences	492	–
At 31 December	4,382	3,980

Ageing analysis of the Group's trade receivables

The ageing analysis of the Group's trade receivables, including the amounts past due but not impaired is as follows:

	Group	
	2017	**2016**
	US$'000	US$'000
Not past due	131,841	284,855
Past due less than 90 days	5,027	1,493
Past due more than 90 days	576	404
	137,444	286,752

18. Amounts due from subsidiaries

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

Impairment of amounts due from a subsidiary

As disclosed in Note 12 and Note 15, the Company's fully owned subsidiary, SPE, had fully provided for its outstanding trade receivables of US$ 125 million owing from a related party, resulting in a net liability position of US$ 83 million as at 31 December 2017. As such, the Company had also fully provided for the amounts due from SPE amounting US$ 122 million as at 31 December 2017 and had also provided a letter of undertaking to SPE to provide continuing financial support and not to recall the amounts due to the Company within the next twelve months.