

Name of Company: AP OIL INTERNATIONAL LIMITED
Registration No: 197502257M

Half-Year Financial Results Announcement for the Period Ended 30 June 2018

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	6 months ended 30-06-18 S\$'000	6 months ended 30-06-17 S\$'000	Change %	Note
Revenue	43,001	44,318	-3%	
Cost of sales	(38,076)	(38,389)	-1%	a
Gross profit	4,925	5,929	-17%	
Interest income	160	69	132%	
Other gains	151	458	-67%	b
Distribution costs	(1,196)	(1,375)	-13%	
Administrative expenses	(3,190)	(3,581)	-11%	a
Finance costs	(11)	(7)	N.M.*	
Other losses	(18)	-	N.M.*	c
Share of results of equity-accounted joint ventures	(73)	151	-148%	
Profit before tax from continuing operations	748	1,644	-55%	
Income tax benefit/(expense)	18	(161)	-111%	
Profit net of tax	766	1,483	-48%	
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets, net of tax	-	12	-100%	
Exchange differences on translation from functional currency to presentation currency	824	(1,892)	-144%	d
Share of other comprehensive income/(loss) from equity-accounted joint ventures, net of tax	88	(114)	-177%	
Other comprehensive income/(loss) for the period, net of tax	912	(1,994)		
Total comprehensive income/(loss) for the period	1,678	(511)	-428%	
Profit attributable to owners of the company, net of tax	830	1,490	-44%	
Loss attributable to non-controlling interests, net of tax	(64)	(7)	814%	
Profit net of tax	766	1,483	-48%	
Total comprehensive income/(loss) attributable to owners of the company	1,742	(504)	-446%	
Total comprehensive loss attributable to non-controlling interests, net of tax	(64)	(7)	814%	
Total comprehensive income/(loss) for the period	1,678	(511)	-428%	

Note:

*N.M. : Not meaningful.

Notes to Statement of Comprehensive Income

	6 months ended 30-06-18 S\$'000	6 months ended 30-06-17 S\$'000
a. Depreciation		
The total depreciation expenses charged are as follows:		
Cost of sales	(273)	(308)
Administrative expenses	<u>(308)</u>	<u>(310)</u>
	<u><u>(581)</u></u>	<u><u>(618)</u></u>
b. Other gains		
Bad debts recovered on trade receivables	1	5
Foreign exchange adjustments gains	-	206
Gain/(Loss) on disposal of plant and equipment	-	20
Government grant	55	114
Other income	95	113
	<u>151</u>	<u>458</u>
c. Other losses		
Foreign exchange adjustments losses	<u>(18)</u>	<u>-</u>
	<u><u>(18)</u></u>	<u><u>-</u></u>
d. Exchange differences		
Exchange differences arose mainly from the translation of financial statements of entities in the Group with US dollar functional currency to the presentation currency (i.e. Singapore dollar) at the exchange rate at the end of the financial period.		

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company		
	30-06-18	31-12-17	%	30-06-18	31-12-17	%
	S\$'000	S\$'000	Change	S\$'000	S\$'000	Change
<u>Non-current assets</u>						
Property, plant and equipment	4,851	4,823	1%	702	791	-11%
Goodwill	409	409	N.M.*	-	-	N.M.*
Investments in subsidiaries	-	-	N.M.*	18,306	17,939	2%
Investments in joint ventures	2,305	2,386	-3%	523	512	2%
Deferred tax assets	42	41	2%	-	-	N.M.*
Other assets	639	626	2%	-	-	N.M.*
Other financial assets	5,785	5,721	1%	5,785	5,721	1%
Total non-current assets	14,031	14,006	0%	25,316	24,963	1%
<u>Current assets</u>						
Inventories	7,498	4,998	50%	-	-	N.M.*
Trade and other receivables	9,744	10,781	-10%	7,686	6,096	26%
Other assets	520	575	-10%	28	23	22%
Cash and cash equivalents	30,281	32,033	-5%	7,796	10,556	-26%
Total current assets	48,043	48,387	-1%	15,510	16,675	-7%
Total assets	<u>62,074</u>	<u>62,393</u>	-1%	<u>40,826</u>	<u>41,638</u>	-2%
<u>Equity and liabilities</u>						
<u>Equity attributable to owners of the company</u>						
Share capital	6,606	6,606	N.M.*	6,606	6,606	N.M.*
Retained earnings	42,958	42,951	0%	32,320	26,679	21%
Other reserves	4,770	3,905	22%	(432)	(1,188)	-64%
Equity attributable to owners of the company	54,334	53,462	2%	38,494	32,097	20%
Non-controlling interests	(166)	(102)	63%	-	-	N.M.*
Total equity	54,168	53,360	2%	38,494	32,097	20%
<u>Non-current liabilities</u>						
Deferred tax liabilities	240	239	N.M.*	61	60	N.M.*
Total non-current liabilities	240	239	N.M.*	61	60	N.M.*
<u>Current liabilities</u>						
Income tax payable	293	87	237%	-	-	N.M.*
Trade and other payables	7,365	8,684	-15%	2,271	9,481	-76%
Finance leases	8	23	-65%	-	-	N.M.*
Total current liabilities	7,666	8,794	-13%	2,271	9,481	-76%
Total liabilities	7,906	9,033	-12%	2,332	9,541	-76%
Total equity and liabilities	<u>62,074</u>	<u>62,393</u>	-1%	<u>40,826</u>	<u>41,638</u>	-2%

Note:

*N.M. : Not meaningful.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand (S\$'000)

30-06-18		31-12-17	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
8	-	23	-

Amount repayable after one year (S\$'000)

30-06-18		31-12-17	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collaterals

Secured borrowings as at 30 June 2018 and 31 December 2017 refer to obligations under finance leases that are secured by plant and equipment purchased under finance leases.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	6 months ended 30-06-18 S\$'000	6 months ended 30-06-17 S\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	748	1,644
Adjustments for:		
Interest income	(160)	(69)
Interest expense	11	7
Insurance premium charged to profit or loss	4	4
Depreciation of property, plant and equipment	581	618
Share of results of equity-accounted joint ventures, net of tax	73	(151)
Gain on disposal of property, plant and equipment	-	(20)
Operating cash flows before changes in working capital	<u>1,257</u>	<u>2,033</u>
Inventories	(2,398)	1,596
Trade and other receivables	1,257	(1,744)
Other assets	67	(341)
Trade and other payables	<u>(1,142)</u>	<u>(879)</u>
Net cash flows (used in)/generated from operations activities	(959)	665
Income tax received/(paid)	226	(257)
Net cash flows (used in)/generated from operating activities	<u>(733)</u>	<u>408</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(475)	(238)
Proceeds from disposal of property, plant and equipment	9	35
Investment in other financial assets	-	(5,179)
Interest received	160	69
Dividends from joint-venture	131	138
Net cash flows used in investing activities	<u>(175)</u>	<u>(5,175)</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(823)	(1,234)
Decrease in cash restricted in use	568	-
Repayment of finance leases	(15)	(21)
Interest paid	<u>(11)</u>	<u>(7)</u>
Net cash flows used in financing activities	<u>(281)</u>	<u>(1,262)</u>
Net decrease in cash and cash equivalents	(1,189)	(6,029)
Cash and cash equivalents, statement of cash flows, beginning balance	31,478	37,724
Net effect of exchange rate changes on cash and cash equivalents	(8)	(1,481)
Cash and cash equivalents, statement of cash flows, ending balance	<u>30,281</u>	<u>30,214</u>
Cash and cash equivalents comprise:		
Not restricted in use	30,281	30,214
Cash pledged for bank facilities	-	529
Cash at end of the period	<u>30,281</u>	<u>30,743</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Attributable to owners of the company</u>				Non-controlling interests	Total equity
	Share capital	Retained earnings	Other reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group						
Current period:						
Opening balance at 1.1.18 as previously reported	6,606	42,951	3,905	53,462	(102)	53,360
Adoption of SFRS(I) 9	-	-	(47)	(47)	-	(47)
Opening balance at 1.1.18 as restated	6,606	42,951	3,858	53,415	(102)	53,313
Changes in equity:						
Total comprehensive income/(loss) for the period	-	830	912	1,742	(64)	1,678
Dividends paid	-	(823)	-	(823)	-	(823)
Closing balance at 30.06.18	6,606	42,958	4,770	54,334	(166)	54,168
Previous period:						
Opening balance at 1.1.17	6,606	41,763	6,977	55,346	(82)	55,264
Changes in equity:						
Total comprehensive income/(loss) for the period	-	1,490	(1,994)	(504)	(7)	(511)
Dividends paid	-	(1,234)	-	(1,234)	-	(1,234)
Closing balance at 30.06.17	6,606	42,019	4,983	53,608	(89)	53,519
	Share capital	Retained earnings	Other reserves	Total equity		
	S\$'000	S\$'000	S\$'000	S\$'000		
Company						
Current period:						
Opening balance at 1.1.18 as previously reported	6,606	26,679	(1,188)	32,097		
Adoption of SFRS(I) 9	-	-	(47)	(47)		
Opening balance at 1.1.18 as restated	6,606	26,679	(1,235)	32,050		
Changes in equity:						
Total comprehensive income for the period	-	6,464	803	7,267		
Dividends paid	-	(823)	-	(823)		
Closing balance at 30.06.18	6,606	32,320	(432)	38,494		
Previous period:						
Opening balance at 1.1.17	6,606	23,770	1,180	31,556		
Changes in equity:						
Total comprehensive income for the period	-	(124)	(1,447)	(1,571)		
Dividends paid	-	(1,234)	-	(1,234)		
Closing balance at 30.06.17	6,606	22,412	(267)	28,751		

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 30 June 2018, there was no movement in the company's share capital and no share options were issued.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares was 164,531,172 as at 30 June 2018 and 31 December 2017.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Yes.

5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Our Group has adopted all the new Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related interpretations to SFRS(I) that are relevant to our Group and effective for the financial period beginning on or after 1 January 2018. The adoption of these framework has no material impact on the amounts reported for the current or prior periods.

SFRS(I) 9

For financial assets previously designated as available-for-sales financial assets, the Group has designated these assets as financial assets measured at amortised cost upon adoption of SFRS(I) 9.

Accordingly, the fair value adjustment reserve had been reclassified to other financials assets as at 1 January 2018, resulting in a decrease in other financial assets by S\$47,000.

6. Earnings per ordinary share of the company for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	30-06-18	30-06-17
	Singapore Cents	Singapore Cents
(i) Based on number of ordinary shares in issue of 164,531,172 (30.06.2017: 164,531,172 shares)	0.50	0.91
(ii) On a fully diluted basis of 164,531,172 ordinary shares (30.06.2017: 164,531,172 shares)	0.50	0.91

Note:

The total earnings per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30 June 2018 and 30 June 2017.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current period reported on; and
- (b) immediately preceding financial year

	30-06-18	31-12-17
	Singapore Cents	Singapore Cents
Net asset value per ordinary shares in issue of 164,531,172 (31.12.17 : 164,531,172)		
Group	33.02	32.49
Company	23.40	19.51

Note:

Net asset value per ordinary share was calculated based on the number of ordinary shares in issue of 164,531,172 as at 30 June 2018 and 31 December 2017.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.**

Statement of comprehensive income

- (i) Total revenue decreased 3% as compared to the 1st Half of 2017 ("1H 2017") to S\$43 million due mainly to decrease in manufacturing volume.
- (ii) Gross profit margin decreased 2 percentage points as compared to 1H 2017 to 11.5% due mainly to lower margin from trading and franchising revenue.
- (iii) The profit before tax and net profit after tax decreased by 54% and 48% as compared to 1H 2017 to S\$0.75 million and S\$0.77 million, respectively. The profit before tax of S\$0.75 million includes the Heptalink Chemicals Pte Ltd ("Heptalink") loss before tax of S\$0.16 million. Heptalink has resolved to be wound up by way of a Members' Voluntary Liquidation ("MVL") in the second half of 2018.
- (iv) Exchange difference arose mainly from the translation of financial statements of entities in the Group with US dollar functional currency to the presentation currency (i.e. Singapore dollar) at the exchange rate at the end of the period. The income and expenses were translated at the average rate of exchange for the period.

Statement of Financial Position

- (i) Inventories increased by \$2.5 million due mainly to purchasing of raw materials towards the end of first half of 2018 ("1H 2018").
- (ii) Trade and other receivables decreased by \$1.0 million due mainly to lower manufacturing revenue toward the end of 1H 2018.
- (iii) Cash and cash equivalents decreased by \$1.75 million due mainly to higher requirements for working capital, dividend payment and payments made for the construction of our new office building.
- (iv) Trade and other payables decreased by \$1.32 million due mainly to reduced Heptalink accounts payable in line with the MVL.

Statement of Cash Flows

Net cash flows used in operating activities increased to \$1.14 million due mainly to decrease in trade and other payables, higher inventory level and decrease in profit before tax as compared to 1H 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results.

There is no significant variance between the previous disclosures and the actual results.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

- (i) The strong competition in the marine lubricant business experienced in 2017 continued into the first half of 2018. This is likely to persist into the second half of the year.
- (ii) Given current economic and political environment, the first 7 months of financial year 2018 has seen volatility in crude oil prices, affecting our raw material costs and average selling prices.
- (iii) Management continues to seek new business development and manage costs to bolster the performance of the Group in the challenging year ahead.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No interim dividend has been proposed.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions.

14. Confirmation of undertakings from directors and executive officers.

The company has procured undertaking from all its directors and executive officers under Rule 720(1) of the listing manual.

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

16. In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments

Total revenue decreased by 3% over last year to S\$1 million due mainly to decrease in manufacturing volume.

17. A breakdown of sales and profit

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

19. Confirmation of the Board pursuant to Rule 705(5) of the listing manual.

On behalf of the Board of Directors, I hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading, in any material aspect.

BY ORDER OF THE BOARD

**Ho Chee Hon
Group CEO
13 August 2018**