

AP OIL INTERNATIONAL LIMITED

Registration No. 197502257M

(Incorporated in Singapore)

**INFORMATION RELATING TO QUESTIONS FROM THE SINGAPORE EXCHANGE SECURITIES
TRADING LIMITED ON THE ANNUAL REPORT 2020**

The Board of Directors (“Directors”) of AP Oil International Limited (the “Company”) wishes to announce information relating to questions raised by the Singapore Exchange Securities Trading Limited on the Annual Report 2020 (“AR 2020”) that was released by the Company on 9 April 2021 via SGXNET:

Question 1: Listing Rule 1207(10C) requires the Audit Committee to comment on whether the internal audit function is independent, effective and adequately resourced. Please provide the Audit Committee’s comments as required. Please also provide information on whether the head of the internal audit function has the relevant experience and qualifications.

Company’s Response: The Company has outsourced the Internal Audit (“IA”) function and engaged Baker Tilly TFW LLP, a top 10 audit and accounting firm in Singapore for this function. Baker Tilly has assigned partner Nicodemus Tan to lead the IA review for the Company. He has 17 years of professional IA experience in the big four public accounting firms; holds an Accountancy degree from Nanyang Business School; a Certified Internal Auditor, Certified Financial Services Auditor, Risk Management Assurance and Controls Self-Assessment. On page 36 of the AR 2020, it was disclosed that the IA function is independent and adequately resourced with unfettered access to all the Company’s documents, records, properties and personnel, including the Audit Committee (“AC”), and has appropriate standing within the Company. The AC confirms that IA is independent, effective and adequately resourced.

Q2: Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Provision 2.2 of the Code requires that independent directors make up a majority of the Board where the Chairman is not independent. Provision 2.3 of the Code requires non-executive directors to make up a majority of the Board. We note that the Board currently comprise 8 directors, with 4 being independent directors, and that the Chairman, Dr. Ho Leng Woon, is non-independent. In addition, two of the independent directors, Mr. Tan Woon Hum and Mr. Quah Ban Huat, will not be seeking re-election at the upcoming AGM. Please explain whether this means that the Board will only have 2 independent directors post-AGM. Please also explain how the practices of the Company are consistent with the intent of Principle 2 of the Code.

Company’s Response: Post-AGM, the Board will have 2 Independent Directors (“IDs”). The composition of the Board has not changed effectively, save for the transition period due to the replacement of IDs because of the SGX Listing Rule 210(5)(d)(iii), requiring the re-appointment of directors who have served beyond nine years from the date of their first appointment, to be subjected to a two-tier shareholders voting. Despite the good contribution of Mr Quah Ban Huat and Mr Tan Woon Hum as IDs, in view of the SGX Listing Rule 210(5)(d)(iii), the Company went ahead with the replacement of the IDs. The Board is of the opinion that based on the Group’s current size and operations, it is not necessary to have IDs make up a majority of the Board. The Board had examined its composition, and is of the view that the 2 IDs are appropriate for effective decision-making. All the Board Committees are chaired by an Independent Director, and the IDs form the majority in these committees. Decisions made at these meetings are by majority consensus. The IDs evaluate the proposals made by Management and provide guidance on relevant aspects of the Group’s business; including a majority requirement in the final decision-making process.

Q3: Provision 2.4 of the Code requires the board diversity policy and progress made towards implementing the board diversity policy, including objectives, to be disclosed in the company's annual report. Please provide information on the board diversity policy and the progress made towards implementing the policy.

Company's Response: The Company has adopted a Board Diversity policy which sets out its policy and framework for promoting diversity on the Board, to enhance its decision-making capability and be more effective in dealing with strategic change, to avoid groupthink and foster constructive debate. The Board Diversity policy is to consider Board candidates from diverse background with appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age. The Board recognizes that diversity of the Board is essential to contribute to sustainable development and growth of the Group. The Board diversity objectives include criteria of qualifications, experience, skills, calibre, gender, attributes and abilities. In particular, during the recent search to select new IDs who were appointed in January 2021, the Board Diversity policy and objectives were implemented by the NC. The Board believes that its composition and size provide an appropriate balance and mix of skills, expertise, experience and gender, and collectively a range of competencies in legal, financial, business management and the requisite industry knowledge to lead the Company effectively, avoid groupthink and foster constructive debate. The Board has one female member, and members' ages range from 40 to 70 years. The Board's combined business, management and professional experience, diversity of knowledge and expertise, provide the competencies for diverse and objective perspective on the Group's business and strategic direction.

Q4: Provision 9.2(b) of the Code states that the Board requires and discloses in the Company's annual report that it has received assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems. In page 34 of the Annual Report, it was stated that the Board has received assurance from the managing directors of the Company's subsidiaries, namely A.I.M. Chemical and GB Chemicals, regarding the adequacy and effectiveness of the company's risk management and internal control system. Please disclose whether the Board has received similar assurance from the CEO and key management personnel of AP Oil International Ltd.

Company's Response: The Board confirms receipt of assurance from the CEO and CFO regarding the adequacy and effectiveness of the Company's risk management and internal control system. This is supplemental to the assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances (refer to page 34 of the AR 2020).

By Order of the Board

Ho Chee Hon
Group Chief Executive Officer
22 April 2021