CREATING SYNERGIES SPEARHEADING GROWTH

CEFC International Limited

Annual Report 2016

CONTENTS

CORPORATE PROFILE

2016 – CREATING SYNERGIES SPEARHEADING GROWTH

Listed on the Main Board of SGX-ST, CEFC International Limited adopts a growth strategy through acquisitions and investments to gain access to global resources and diversify its income streams. Building on its current foundation as an energy trading company, CEFC International targets to become an industry platform that consolidates profits from both operation and investment to enhance its market value and influence.

CEFC International in 2016 completed the acquisition of 100% equity interest in CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited, which owns 51% interest in Rompetrol France SAS ("Rompetrol France") - the holding company of Dyneff SAS ("Dyneff"). Dyneff is one of the leading independent fuel distributors in France, with business operations in both France and Spain and over 50 years of track record in the fuel distribution sector. The acquisition of Dyneff with its existing oil and gas distribution network, logistics and storage facilities in Europe provide a stepping stone for the Group's entry into the European market and is a historic breakthrough for the Group's diversification strategy.

WORDS FROM THE CHAIRMAN

Dear Valued Shareholders,

Review

In 2016, CEFC International Limited (the **"Company"** or **"We"**) delivered remarkable results with trading volume continuing to climb. Our M&A-driven diversification strategy has been officially kick-started with the completed acquisition of the holding company of Dyneff SAS (**"Dyneff"**), providing us with a platform to further access to quality energy assets in the mid and downstream areas in Europe. Furthermore, we can now leverage our strategic presence in Europe's downstream area to instantly increase our competitive position and bargaining power with the upstream players. These achievements were the outcomes of a sound assessment of the global situation and the corresponding strategic deployment. Thus, despite the profound changes in the global energy, economic and political landscapes in 2016, we have continued to expand our business footprint and develop on a global path.

Outlook

In 2017, we will strive to further expand trading volume to drive revenue growth and profit improvement. In the meantime, we will vigorously look for further opportunities to forge business collaboration that can stimulate our growth through synergies. We will deepen trading cooperation with our strategic partners, particularly those with established upstream resources. We must seize market opportunities and take advantage of our privileged location in Singapore, being a world energy trading hub, as well as our growing presence in Europe's downstream market, to transform our partners' upstream oil and gas rights into the growth driver of our trading volume, which will in turn serve to scale up our revenue size and profitability. We also hope to see the consolidation of Dyneff's results in 2017 will bring new momentum to our development.

At the same time, on top of trading development, we will continue to implement diversification strategy through mergers and acquisitions. Through ongoing efforts to optimize our investment portfolio, we seek to create additional income streams, further scale up our asset base and extend our geographical distribution. These can then serve to foster sustainable development of the Company as that would improve our income visibility and mitigate the risks of over concentration in single income stream. We will also leverage on our advantages as a listed company, to forge in-depth cooperation with different financial institutions, develop more financing channels and more financing tools to provide capital support for our organic growth, mergers and acquisitions, and globalization efforts. As we gradually enhance our integrated strengths and when conditions are ripe, we look forward to having our iconic headquarters base in Singapore. With our deep understanding of the global situation and our strategies built on our unique strengths, we believe that we will have the potential to emerge as a representative international enterprise in Singapore.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation to all the shareholders, our staff and also our partners for their long-term support and help. At the same time, we most sincerely welcome the new members of the Board and new members to the management, we are so pleased to see their new vitality injection to the Company. With the concerted efforts from all parties, CEFC International Limited is well equipped to realize continued and steady development.

Zang Jian Jun
Executive Chairman

CEO'S STATEMENT

Dear Valued Shareholders,

I am honoured to report on the operational performance and business development of CEFC International Limited (the **"Company"** or **"We"**) and its subsidiaries (collectively, the **"Group"**) in 2016.

In 2016, the management implemented organic growth and mergers and acquisitions in accordance with the established strategy of the Board of Directors. Our revenue in 2016 was nearly US$1 billion, a 111% increase compared to revenue of US$474.5 million in 2015, mainly underpinned by an increase in physical oil trades with a total volume of 19.01 million barrels. Gross profit in 2016 declined by 56% to US$12.2 million, mainly due to profitability changes in derivative trading. Disregarding the impact of derivative trading, gross profit from physical trades in 2016 increased by 128% compared to 2015. Our net profit declined by 85% to US$2.7 million in 2016, mainly due to the decline in gross profit and increase in operating expenses. The Company completed the acquisition of 100% equity stake in CEFC Assets Management & Equity Investment (Hong Kong) Co., Ltd. (which holds 51% of Rompetrol France SAS – the holding company of Dyneff SAS ("Dyneff")) by the end of 2016. As a result, Dyneff's revenue and earnings have yet to be reflected in our 2016 financial statements.

As of 31 December 2016, the Group recorded total assets of US$471.5million, a 74% increase compared to US$271.3 million in the previous year end, mainly driven by the acquisition of CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited.

At the beginning of 2016, we launched a diversification strategy using investments and acquisitions to drive growth, with a strategic focus on investment opportunities in mid and downstream energy assets available in Europe, for instance, retail outlets, distribution networks, logistics and storage facilities. In the same year, we successfully acquired Dyneff and in December 2016 also obtained the approval for the acquisition by the French Ministry of Economy and antitrust clearance by European Commission. Dyneff is a leading independent fuel distributor headquartered in France, with business operations across both France and Spain. Dyneff has been active in the fuel distribution sector for more than 50 years, with business operations covering three distribution channels: 100+ filling stations, a network of commercial agencies and two wholesale agencies. Dyneff has also established logistics infrastructure in both France and Spain, with strategic storage capabilities at the main Mediterranean and Atlantic ports. The total storage capacity amounts to about 300,000 cubic meters.

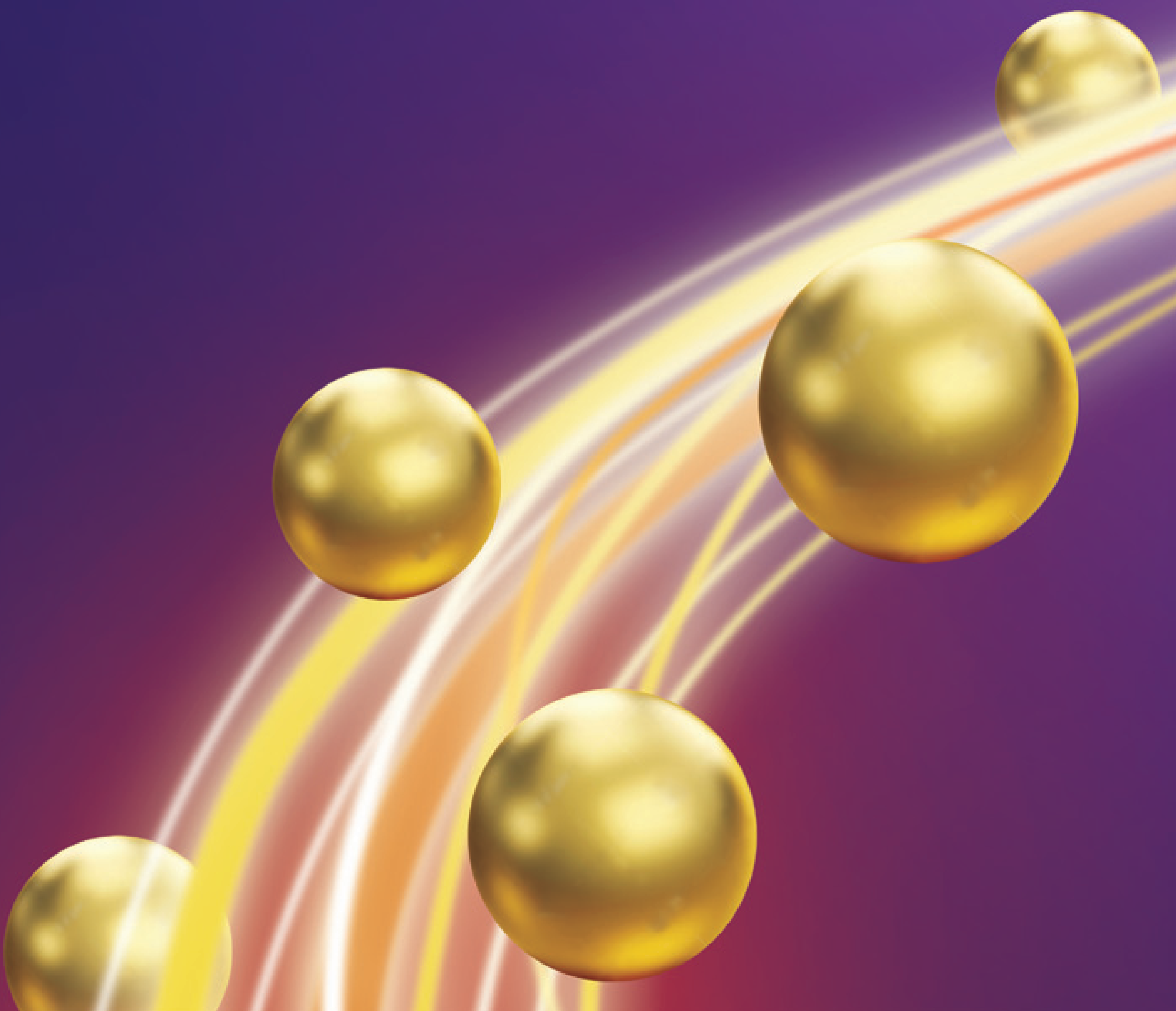
The completion of the acquisition of Dyneff unveiled our growth and diversification strategy through acquisition and investment. This also means that the Company's investment in Europe has made substantial progress to achieve a historic breakthrough. Through this acquisition, our market distribution widens from Hong Kong, China, Singapore, and Southeast-Asia to Europe, and our business extends from trading alone to the downstream area. In addition to our successful establishment of credit lines with a number of banks in 2016, the acquisition of Dyneff brings more overseas financing options which allow us to take advantage of the low cost financing in Europe.

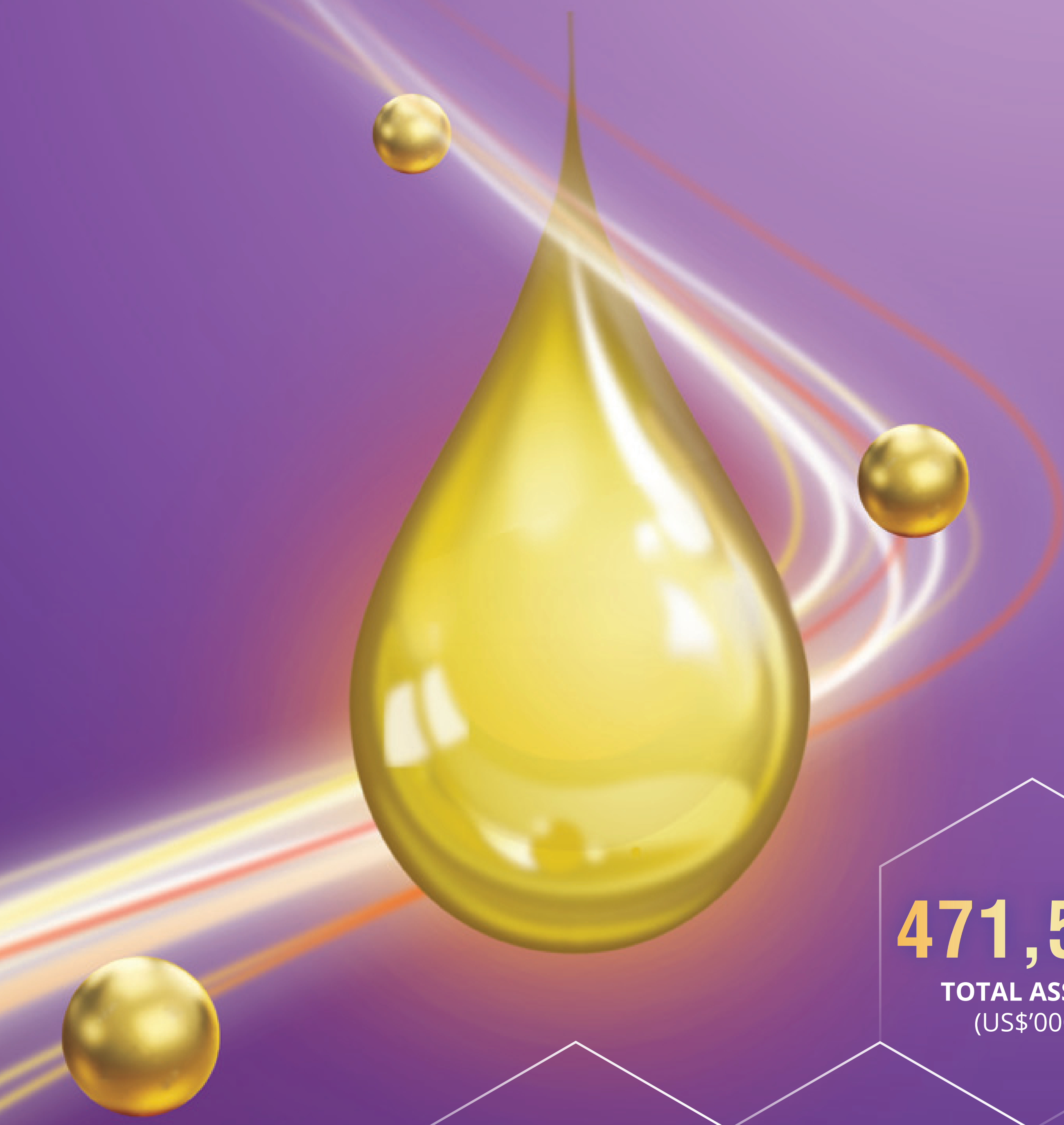
In order to achieve a leap in growth, on the one hand we have to make every effort to expand our trading volume and scale up our revenue size, while on the other hand we must speed up the diversified development. We will continue to introduce best talents from different fields to join our team and explore viable new income streams. I will also be committed to leading the team to play our own part, tapping on diligence, wisdom and courage to overcome all challenges and seize opportunities to achieve more outstanding success to return to shareholders, reward employees, and contribute to the community.

Zhao Guang Ming
Chief Executive Officer

ACCELERATING TOWARDS GROWTH

We must seize market opportunities and take advantage of our privileged location in Singapore, being a world energy trading hub, as well as our growing presence in Europe's downstream market, to transform our partners' upstream oil and gas rights into the growth driver of our trading volume. On top of trading development, we will continue to implement diversification strategy through mergers and acquisitions. Through ongoing efforts to optimize our investment portfolio, we seek to create additional income streams, further scale up our asset base and extend our geographical distribution.





471,542
TOTAL ASSETS
(US$'000)

999,465
REVENUE
(US$'000)

100+
PETROL STATIONS

19.01
TRADING VOLUME
(MMBL)

BOARD OF DIRECTORS

Mr. Zang Jian Jun

Mr. Zang Jian Jun was appointed to the Board as Executive Director on 4 January 2012. Mr. Zang was further appointed as Chief Executive Officer on 3 December 2012 (he stepped down as Chief Executive Officer on 17 February 2015) and to the Board as Executive Chairman on 2 December 2013. Mr. Zang has over fifteen years of experience in the petrochemical industry and has a very extensive network. From August 2006 to March 2011, Mr. Zang was the General Manager of Hua Xin Energy Holdings Ltd, in charge of establishing corporate strategy and general operating strategy. From October 2003 to July 2006, Mr. Zang was the Deputy General Manager in DaGang Petro Chemical Co. Ltd. From June 1999 to September 2003, Mr. Zang was the Chemical Business Unit General Manager in DaGang Petro Chemical Co. Ltd. At the same time, he was also the International Trading Manager responsible for the company's importing projects which involved both the upstream and downstream sectors. From October 1996 to May 1999, he was the International Trading Manager in Hebei Lixiang Corporation. From June 1995 to September 1996, Mr. Zang was the Business Manager in Hebei Baoding International Trading Company. He is currently serving as a director in China CEFC Energy Company Limited.

Mr. Zhao Guang Ming

Mr. Zhao Guang Ming was appointed to the Board as Executive Director and Chief Executive Officer of the Company on 28 February 2017. Mr. Zhao is responsible for carrying out the strategic plan agreed by the Board and the day-to-day running of the Group's business. Mr. Zhao served as Senior Deputy Manager and Senior Manager of the Investment Department of China Huarong Asset Management Co., Ltd. as well as a technician of Babcock & Wilcox Beijing Company Ltd. Mr. Zhao was awarded a doctorate degree in Economics by Renmin University of China in June 2008. From September 2009 to November 2011, he conducted his postdoctoral research in the postdoctoral workstation of Peking University and China Huarong Asset Management Co. Ltd. and was awarded the Postdoctoral Certificate by National Postdoctoral Management Committee.

Mr. Liu Zhong Qiu

Mr. Liu Zhong Qiu was appointed as Chief Operating Officer on 19 November 2013 and to the Board as Executive Director on 2 December 2013. Mr. Liu's main responsibilities include overseeing the business operations of the Group. Mr. Liu has 45 years of experience in the petroleum industry. Right after his graduation, he spent 14 years working in China National Petroleum Corporation ("CNPC")'s oil and gas geophysical exploration company and left as Director General. In 1993, Mr. Liu started to work in South America, in Peru Talara Oil Fields as the General Manager, and in Venezuela Calecoles and Inercomper North Oil Fields as the Vice President. In 1999, Mr. Liu joined China National United Oil Corp. as Vice President in charge of crude oil and natural gas international trading, during which he headed a team that completed the crude oil supply for the Sino-Russian long distance pipeline, Sino-Kazakhstan long distance crude oil pipeline, as well as the oil and gas pipelines from Myanmar to Kunming City, Southeast China. In 2009, he led his team to the successful procurement of the signing of the long term natural gas supply contract with the Turkmenistan Government for Turkmenistan–China natural gas pipelines which lead all the way to Hong Kong. In July 2009, Mr. Liu was appointed by the CNPC Board of Directors as the Chairman of China Petroleum Engineering and Construction Corp. During his chairmanship, he led his team to the successful completion of the Engineering, Procurement and Construction of the Niningxia Refinery, CPF1 project in Iraq Al Waha Oil Fields, the Jingtel Refinery in Nigeria and the Ndjamena Refinery in Chad. By the end of 2011, he started to work as the senior consultant at CNPC's Consulting Center until his appointments in CEFC International Limited. He is currently serving as a director in China CEFC Energy Company Limited.

Mr. Ooi Hoe Seong

Mr. Ooi Hoe Seong was appointed to the Board as Lead Independent Director on 30 December 2011 and serves as Chairman of Audit Committee, Chairman of Risk Management Committee and a member of Nominating Committee and Remuneration Committee. He has over 25 years of management, corporate finance and wealth management experience with many multi-national companies. Since 2006, he has been the Director of Mega Honour Ltd and is in charge of financing projects. From 2004 to 2006, he was the Regional CEO of Boutique Regional Financial Institution. From 1992 to 2001, he was the Managing Director of British American Tobacco China Limited. From 1990 to 1992, he was with Pepsi-Cola International Asia Pacific Region. He was based in the U.S. Southwest region initially as part of the international management exchange program but subsequently moved on to be the Managing Director of the region.

Mr. Toh Hock Ghim

Mr. Toh Hock Ghim was appointed to the Board as an Independent Director on 30 December 2011 and serves as Chairman of Nominating Committee and a member of Remuneration Committee, Audit Committee and Risk Management Committee. He joined the Singapore Ministry of Foreign Affairs in 1966. He has served in the embassies of Singapore in many countries including the Philippines, Thailand, Malaysia and Vietnam. In 1989, he served as Deputy Director and later as Director in the ASEAN Directorate in the Singapore Foreign Ministry. In addition, he was Consul-General in Hong Kong and Macao from February 2002 to December 2007. Upon his return from Hong Kong and Macao, he was appointed Senior Adviser to the Singapore Foreign Ministry. Beyond these public appointments, he also holds appointments in the corporate sector. He is Chairman of Singapore-listed Equation Summit Limited and a Director of The Fullerton Hotel Singapore. He is also Director of FDG Kinetic Ltd (formerly known as CIAM Group Ltd), a Hong Kong-listed company. Mr. Toh Hock Ghim obtained his Bachelor of Arts (Political Science) Degree from the University of Singapore in 1966.

Ms. Ling Chi

Ms. Ling Chi was appointed to the Board as Independent Director on 7 February 2013. She serves as Chairman of Remuneration Committee and a member of Nominating Committee, Audit Committee and Risk Management Committee. Ms. Ling Chi is a member of the National Committee of the Chinese People's Political Consultative Conference since 2008. Since 1987, Ms. Ling Chi has been engaged in the promotion and development of traditional Chinese culture and is the Film Director of China News Services and Beijing Film Studio, Deputy Director of International Confucian Association, Deputy Director of Chinese Confucian Academy, Executive Director of State Ethnic Progress Committee of the People's Republic of China and Research Fellow of Education Theory Department, National Institute of Education Sciences. Ms. Ling Chi graduated from the Beijing Film Academy and The Central Academy of Drama and obtained her doctorate from Peking University Health Science Centre.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Zang Jian Jun
(Executive Director / Executive Chairman)
(appointed on 4 January 2012)

Mr. Zhao Guang Ming
(Executive Director / Chief Executive Officer)
(appointed on 28 February 2017)

Mr. Liu Zhong Qiu
(Executive Director / Chief Operating Officer)
(appointed on 2 December 2013)

Mr. Ooi Hoe Seong
(Independent Director)
(appointed on 30 December 2011)

Mr. Toh Hock Ghim
(Independent Director)
(appointed on 30 December 2011)

Ms. Ling Chi
(Independent Director)
(appointed on 7 February 2013)

AUDIT COMMITTEE

Mr. Ooi Hoe Seong *(Chairman)*
Mr. Toh Hock Ghim
Ms. Ling Chi

REMUNERATION COMMITTEE

Ms. Ling Chi *(Chairman)*
Mr. Ooi Hoe Seong
Mr. Toh Hock Ghim

NOMINATING COMMITTEE

Mr. Toh Hock Ghim *(Chairman)*
Mr. Ooi Hoe Seong
Ms. Ling Chi

RISK MANAGEMENT COMMITTEE

Mr. Ooi Hoe Seong *(Chairman)*
Mr. Toh Hock Ghim
Ms. Ling Chi

COMPANY SECRETARY

Ms. Shirley Tan Sey Liy (ACIS)

BERMUDA RESIDENT REPRESENTATIVE AND SHARE REGISTER

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM11,
Bermuda

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1 Raffles Place,
#11-61 One Raffles Place, Tower 2,
Singapore 048616

Tel: (65) 6222 2298
Fax: (65) 6222 2021

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01, Singapore Land Tower
Singapore 048623

Tel: (65) 6230 9532
Fax: (65) 6536 1360

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Mr. Wilson Woo Siew Wah
(appointed with effect from 9 December 2015)

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") and the Management (the "**Management**") of CEFC International Limited (the "**Company**") are committed to maintaining a high standard of corporate governance and endeavour to comply with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**").

The Board and the Management believe that corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders' interest.

This report outlines the main corporate governance practices and processes with specific reference to the guidelines of the Code that were in place during the financial year commencing 1 January 2016 to 31 December 2016 ("**FY2016**"). The Board notes that the Company has generally complied with the spirit and intent of the Code but in areas where the Company deviates from the Code, the rationale is provided.

(A) BOARD MATTERS

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's primary roles include but are not limited to the following:

(a) providing entrepreneurial leadership;

(b) setting and approving policies and strategies of the Group;

(c) establishing goals for the Management, monitoring the achievement of these goals and reviewing the Management's performance;

(d) reviewing the remuneration packages of the Directors and key executives;

(e) reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;

(f) reviewing the adequacy and effectiveness of the Company's risk management, internal controls and the financial information reporting systems;

(g) approving the nomination of Directors and appointments to the Board and/or the Board Committees (i.e. the Audit Committee, the Nominating Committee, the Remuneration Committee and the Risk Management Committee (collectively, "**Board Committees**");

(h) authorising major transactions such as fund raising exercises and material acquisitions;

(i) setting the Company's values and standards, and ensuring that obligations to shareholders and others are understood and met;

(j) assuming responsibility for corporate governance of the Group; and

(k) establishing 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.

The Executive Directors supervise the management of the business and affairs of the Company. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including, but are not limited to the following:

(a) review of the annual budget and the performance of the Group;

(b) review of the key activities and business strategies;

(c) approval of the corporate strategy and direction of the Group;

(d) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;

(e) material acquisitions and disposals;

(f) corporate or financial restructuring and share issuances;

(g) declaration of dividends and other returns to Shareholders; and

(h) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved by the Board.

The Directors all have the right core competencies and diversity of experience which enable them to effectively contribute to the Company and its subsidiaries (collectively referred herein as the "Group"). The experience and competence of each Director contributes to the overall effective management of the Group.

All the Directors bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resource and standards of conduct and are obliged to act in good faith and to take objective decisions in the interest of the Group.

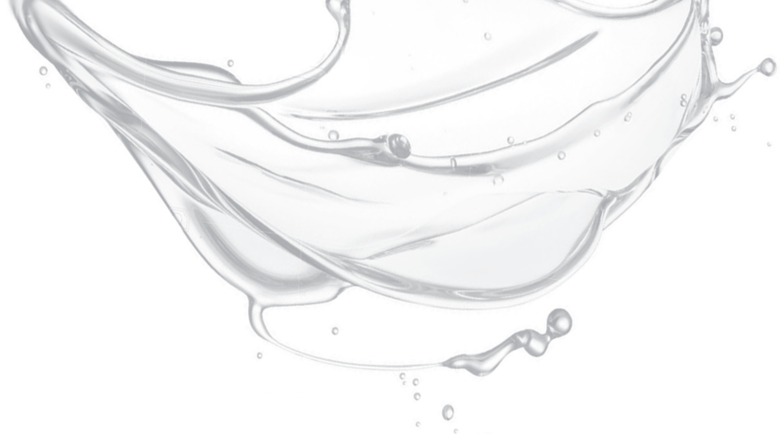
Board Processes

To assist in the execution of its responsibilities and to facilitate effective management, the Board has established the Board Committees. The effectiveness of each committee is constantly monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lie with the entire Board. The Board has also established a framework for the management of the Group including a system of internal control. The members of the Board Committees as at the date of this Report are as set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Ooi Hoe Seong	Chairman	Member	Member	Chairman
Toh Hock Ghim	Member	Chairman	Member	Member
Ling Chi	Member	Member	Chairman	Member

The Board is committed to holding regular meetings to review the Company's operations and as and when required, it will not hesitate to hold additional meetings to address any specific significant matters that may arise. Details of the number of meetings held during the FY2016 are also set out below for your reference.

The agenda for all meetings of the Board and Board Committees were prepared in consultation with the Group's Board.



CORPORATE GOVERNANCE REPORT

Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives were from time to time invited to attend the Board meeting to provide updates on operational matters. Further to the above, the Board also discussed matters relating to the Company in informal settings and written resolutions were also circulated amongst the Board members to decide appropriate actions to be taken in relation to the Company's operations.

The Bye-laws of the Company allows the Directors to participate in meetings of the Board and/or Board Committees by telephone conference or by means of similar communication equipment whereby all persons participating in the meetings are able to communicate as a group, without requiring the Directors' physical presence at the meetings.

The Board and Board Committees also circulate written resolutions to its members to regulate the business operations of the Company. The Board also conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committees Meetings held in FY2016[(1)]

The number of meetings held by the Board and Board Committees and attendance during FY2016 are as follows:

	Board[(2)]		Audit Committee[(2)]		Nominating Committee[(3)]		Remuneration Committee[(3)]		Risk Management Committee[(4)]	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Zang Jian Jun	6	3	–	–	–	–	–	–	–	–
Zhao Guang Ming[(5)]	6	–	–	–	–	–	–	–	–	–
Liu Zhong Qiu	6	4	–	–	–	–	–	–	–	–
Ooi Hoe Seong	6	4	4	4	1	1	1	1	2	2
Toh Hock Ghim	6	6	4	4	1	1	1	1	2	2
Ling Chi	6	6	4	4	1	1	1	1	2	2
Lu Da Chuan[(6)]	6	2	–	–	–	–	–	–	–	–
Wen Jie[(7)]	6	1	–	–	–	–	–	–	–	–
Liu Lei[(8)]	6	1	–	–	–	–	–	–	–	–

Notes:

(1) The attendance of the Directors, including those acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.

(2) In addition to holding physical meetings, the Board and the Audit Committee were kept informed of the operations of the Company via email and telephone. Documents relating to the Company were circulated via email for the Board and Audit Committee's consideration and the Board, the Audit Committee and the Management also contacted each other on an informal basis to discuss these matters. Pursuant to their review, the Board and the Audit Committee passed resolutions in writing to approve matters relating to the Company's businesses.

(3) In addition to holding physical meetings, documents relating to the Company, the re-election of certain members of the Board, the re-constitution of the Board Committees and remuneration packages ("**NC/RC Matters**") were circulated via email to the Nominating Committee and the Remuneration Committee. The members of each of the Nominating Committee and the Remuneration Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Nominating Committee and the Remuneration Committee passed resolutions in writing to approve NC/RC Matters.

(4) In addition to holding physical meetings, documents relating to the risk management structure of the Company, risk reporting model, controls and policies for risk management ("**RMC Matters**") were circulated via email to the Risk Management Committee. The members of the Risk Management Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Risk Management Committee passed resolutions in writing to approve RMC Matters.

(5) Mr Zhao Guang Ming was appointed to the Board with effect from 28 February 2017. Details of his appointment were contained in an announcement released via SGXNET on 30 December 2016.

(6) Mr Lu Da Chuan was resigned from the Board with effect from 28 February 2017. Details of his resignation were contained in an announcement released via SGXNET on 30 December 2016.

(7) Mr Wen Jie was resigned from the Board with effect from 19 May 2016. Details of his resignation were contained in an announcement released via SGXNET on 19 May 2016.

(8) Mr Liu Lei was resigned from the Board with effect from 7 September 2016. Details of his resignation were contained in an announcement released via SGXNET on 12 July 2016.

Matters Requiring Board Approval

The Board's approval is required for matters such as:

(a) all announcements of the Group released via the SGXNET, in particular the Group's quarterly and annual financial results;

(b) the corporate strategy and direction of the Group, including major corporate policies on key areas of operations;

(c) interested person transactions;

(d) material acquisitions and disposals;

(e) corporate and financial restructuring, including mergers and joint ventures;

(f) major investments;

(g) declaration of interim dividends and proposal of final dividends; and

(h) appointments of new Directors and senior management.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board.

Training of Directors

All the newly appointed Directors were given an orientation to familiarise them with the Group's business and governance practices. In addition, they were each provided with a memorandum setting out the duties and obligations of a director of a listed company.

All Directors appointed to the Audit Committee were also provided with the Guidebook for Audit Committee in Singapore issued by the Audit Committee Guidance Committee.

Directors are also encouraged to attend seminars and training courses to assist them in executing their obligations and responsibilities to the Company. Details of seminars and courses held by the Singapore Accounting & Corporate Regulatory Authority ("**ACRA**"), Singapore Institute of Directors and Singapore Exchange Securities Trading Limited ("**SGX-ST**") are sent to the Directors via email for their consideration.

Further to the above, the Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings or via email. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of business operations.

News releases issued by the SGX-ST and ACRA which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the Audit Committee and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Balance

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

As at the date of the report, the members of the Board are set out below:

Name of Director	Position	Date of Initial Appointment
Zang Jian Jun	Executive Director/Executive Chairman	4 January 2012
Zhao Guang Ming	Executive Director/Chief Executive Officer	28 February 2017
Liu Zhong Qiu	Executive Director/Chief Operating Officer	2 December 2013
Ooi Hoe Seong	Lead Independent Director	30 December 2011
Toh Hock Ghim	Independent Director	30 December 2011
Ling Chi	Independent Director	7 February 2013

The Board comprised three Independent Directors, namely Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Group. The experience and competence of each Director contributes to the overall effective management of the Group.

For key information on these Directors, please refer to their profiles set out in this Report. Information relating to their respective shareholdings in the Company is also disclosed in the Report of the Directors contained in this Report.

Mr Zhao Guang Ming was appointed to the Board on 28 February 2017 and when appointing new Director, the Board and the then Nominating Committee took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing his curriculum vitaes and declaration forms, the Board and the Nominating Committee were satisfied that the newly-appointed was of sufficient calibre and was able to contribute to the Board as well as the Company effectively.

In general, the Board and the Nominating Committee review the composition of the Board and the Board Committees regularly to ensure that they are well-constituted and comprise members of sufficient calibre and who contribute effectively to the Company. Pursuant to their review, the Board and the Nominating Committee are of the view that the current size and composition of the Board are appropriate for effective decision-making, having taken into account the nature of the businesses and current scope of operations of the Group as the Directors are business leaders and professionals with industry background and/or financial backgrounds. The Board's composition also enables the Management to benefit from a diverse and objective external perspective when issues are brought before the Board for discussion.

As half of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines on the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi are independent to the Group and the Management.

For avoidance of doubt, the criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its shareholders who have an interests or interest in not less than 10% of the total votes attached to all the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the conduct of the Group's affairs.

In addition, the Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the Management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also have no financial or contractual interests in the Group other than by way of their fees as set out in the Report of the Directors.

There is no Independent Director who has served on the Board beyond nine years from the date of his/her first appointment.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

The Nominating Committee has reviewed the size and composition of the Board. The Nominating Committee is satisfied that after taking into account the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective.

The Board and the Nominating Committee will continue to review the composition of the Board on an annual basis to ensure that the Board continues to have members who would be able to provide the Board with an appropriate mix of expertise and experience, and that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

In the event that a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, shall determine the selection criteria and select candidates with the appropriate expertise and experience for the position. In particular, the Board and the Nominating Committee took into consideration the following factors:

(a) the Board should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer- based experience or knowledge. (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);

(b) the Board should comprise a majority of non-executive directors, with at least half of the Board made up of independent non-executive directors;

(c) the Board should have enough directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities; and

(d) the number of listed company board representations and other principal commitments of each Director when assessing whether each Director is able to adequately carry out his/her duties to the Company.

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.

As at the date of this report, Mr Zang Jian Jun holds the position as the Company's Executive Chairman while Mr Zhao Guang Ming holds the position as the Company's Chief Executive Officer.

The Executive Chairman, Mr Zang Jian Jun, and the Chief Executive Officer, Mr Zhao Guang Ming are not related to each other. They each assume different roles and responsibilities.

The Executive Chairman leads the Board and is responsible for the management of the Board. He develops and instils core corporate values into the Group. He also provides guidance and mentorship to the Management.

The Chief Executive Officer carries out the strategic plan agreed by the Board. He is also responsible for the day-to-day running of the Group's business. In addition to this, his role is also to develop an achievable and a sustainable business model for the Group.

All major decisions made by the Executive Chairman and Chief Executive Officer are under the purview of review by the Audit Committee.

Each of the Executive Chairman's and Chief Executive Officer's performance and appointment to the Board are also reviewed periodically by the Nominating Committee while their remuneration packages are reviewed periodically by the Remuneration Committee. In addition, at least half of the Board is made up of the Independent Directors to ensure independent review of the Management's performance. As such, the Board believes that the power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Although the Executive Chairman is part of the management team, the Company is in compliance with the principles set out in the Code as the Company had previously appointed Mr. Ooi Hoe Seong as the Lead Independent Director of the Company.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

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 is chaired by Mr Toh Hock Ghim and its members include Mr Ooi Hoe Seong and Ms Ling Chi.

The primary functions of the Nominating Committee are as follows:

(a) to identify candidates and review all nominations for the appointment or reappointment of members of the Board and Chief Executive Officer of the Group, and to determine the selection criteria therefore;

(b) to ensure that all Board appointees undergo an appropriate induction programme;

(c) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(d) to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

(e) to decide whether a Director is able to and has been adequately carrying out his duties as director of the Company, particularly where the Director has multiple board representations;

(f) to review the independence of each Director annually;

(g) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

(h) to assess the effectiveness of the Board as a whole.

The Nominating Committee is also responsible for ensuring that the existing Directors contribute a blend of relevant experiences to the Board and have core competencies to effectively manage the Company. In view that some of the Directors may serve on multiple boards, the Nominating Committee also performs annual evaluation to determine if such Director is able to commit to the Company effectively despite his other commitments.

As part of their review, the Nominating Committee noted the following engagements of the existing Directors:

Name of Director	Current Directorship in other Listed Companies	Past Directorship in other listed companies (for the last three years)
Zang Jian Jun	–	–
Zhao Guang Ming	–	–
Liu Zhong Qiu	–	–
Ooi Hoe Seong	–	–
Toh Hock Ghim	Equation Summit Limited FDG Kinetic Ltd (formerly known as CIAM Group Ltd)	Kinergy Limited WE Holdings Ltd
Ling Chi	–	–

For the financial year under review, the Nominating Committee is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The Code recommends that listed companies fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of other directorships and other principal commitments of the Directors may be found on pages 6 to 7. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the Nominating Committee has taken cognizance of the recommendations under the Code, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their other principal commitments per se. The contributions by the Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meeting are also holistically assessed and taken into account by the Nominating Committee.

In addition, the Board did not fix the maximum number of listed company board representations and other principal commitments which any Director may hold as currently. The Nominating Committee and the Board will review the requirement to determine maximum number of listed Board representations as and when it deemed fits.

After reviewing the disclosures made by the Directors as well as their performances for FY2016, the Board is of the view that the Directors have been able to devote adequate time and attention to the affairs of the Company and they have been able to fulfil their duties as directors to the Company.

For FY2016, the Nominating Committee has also noted that the Group has not employed any person who is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

In the event that the Board needs to be reconstituted, the Nominating Committee is responsible for nominating suitable candidates to the Board for appointment as Director, if the nominee is able to fill up the core competencies and expertise which the existing Board lacks. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. In its search and nomination process for new directors, the Nominating Committee will also have, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

For any appointment of a new Director to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectation gaps. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The Nominating Committee may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities.

The Board will consider the potential candidates and Directors newly appointed by the Board are appointed by way of resolutions passed by the Board, following which they are subject to election by Shareholders at the next Annual General Meeting immediately following their appointment and thereafter, they are required to retire once every three years under Bye-law 86 of the Company's Bye-laws.

In FY2016, the Nominating Committee reviewed the resignations and the appointments of Directors to the Company.

Re-election of Directors

Pursuant to its review, the Nominating Committee has noted the dates of appointment of the existing Directors are as follows:

Name of Director	Age	Date of Initial Appointment
Zang Jian Jun	42	4 January 2012
Zhao Guang Ming	42	28 February 2017
Liu Zhong Qiu	65	2 December 2013
Ooi Hoe Seong	66	30 December 2011
Toh Hock Ghim	75	30 December 2011
Ling Chi	76	7 February 2013

There are no Directors who have served the Board beyond nine years from the date of his/her first appointment.

The re-election of Directors is held annually and in accordance with the Bye-laws of the Company. As set out in Bye-law 86(1) of the Company's Bye-laws, each Director shall retire at least once every three years and shall be eligible for re-election at each Annual General Meeting. Accordingly, pursuant to Bye-law 86(1) of the Company's Bye-laws, Mr. Zang Jian Jun, Mr. Liu Zhong Qiu and Mr. Toh Hock Ghim will be due for retirement and re-election at the forthcoming Annual General Meeting.

As set out in Bye-law 85(6) of the Company's Bye-laws, any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, pursuant to Bye-law 85(6) of the Company's Bye-laws, Mr Zhao Guang Ming will be due for retirement and re-election at the forthcoming Annual General Meeting.

The Nominating Committee has recommended to the Board that Mr. Zang Jian Jun, Mr. Liu Zhong Qiu, Mr. Toh Hock Ghim and Mr. Zhao Guang Ming, be nominated for re-election at the forthcoming Annual General Meeting. The Board has accepted the Nominating Committee's recommendations.

Mr. Toh Hock Ghim, being the Chairman of the Nominating Committee, had abstained from voting on the resolution in respect of his re-appointment as a Director.

The Board has delegated to the Nominating Committee the functions of developing and maintaining a transparent and formal process for the appointment of new directors, making recommendations for directors who are due for retirement by rotation to seek re-election at the subsequent general meeting and determining the independent status of each director.

There is no alternate director being appointed to the Board.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

To ensure that the Board contributes effectively to the Group, the Nominating Committee evaluates the Board's performances using assessment parameters, including (i) the Director's attendance at the meetings of the Board and the relevant Board Committees; (ii) the Director's level of participation at the meetings of the Board and the relevant Board Committees; (iii) quality of the interventions made by the Director; and (iv) the special contributions of the Director. Other assessment criteria include evaluation of the Board's success in achieving its strategic and long-term objectives, the Group's profitability, the Group's return on assets and the Group's return on equity.

The Nominating Committee also takes into consideration the skills and experience of each Director to ensure that the Directors appointed are able to assist the Company and the Group adequately. The assessment on the Board is both quantitative and qualitative in nature. To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

(a) his/her participation at the meetings of the Board;

(b) his/her ability to contribute to the discussion conducted by the Board;

(c) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;

(d) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

(e) his/her compliance with the policies and procedures of the Group;

(f) his/her performance of specific tasks delegated to him/her;

(g) his/her disclosure of any related person transactions or conflicts of interest; and

(h) for Independent Directors, his/her independence from the Group and the Management.

In addition to its constant evaluation of the Board's performance, the Nominating Committee also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting.

Based on the Nominating Committee's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. No external facilitator was used in the evaluation process.

The Nominating Committee has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the Nominating Committee's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from financial year 2017.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfil its responsibilities, the Management provides the Board with adequate information on a regular basis, to update the Board on the affairs of the Company and the Group.

On-going reports relating to the developments, the operational performances and the financial performances of the Group are provided to the Board on a regular basis such that the Board is kept informed of the Group's performances.

Board papers are also circulated to the Directors prior to each meeting to allow the Directors to prepare for that meeting such that they may participate actively at the meeting and have a more effective discussion of the issues faced by the Group. In particular, financial statements of the Group which are prepared on a quarterly basis are circulated to all the Directors for their review, allowing the Directors to have an awareness of the Group's financial position. The Management will also attend the Board meetings to provide the Directors with information as well as to answer any queries that the Directors may have, allowing the Directors to be kept updated on the health of the Group's businesses and operations.

In general, the Board has unrestricted access to the Company's records and information. Each member of the Board also has separate and independent access to the Company Secretary and Ernst & Young LLP (the external auditor) when they each require assistance or advice from the Company Secretary or Ernst & Young LLP, as the case may be. The Board, whether individually or collectively, in furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense. In addition, the Independent Directors have access to all levels of key personnel in the Group.

In particular, the Company Secretary or her representative administers, attends and prepares minutes of Board and Board Committees meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-laws and relevant rules and regulations, including requirements of the SGX-ST, are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

(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 comprises Ms Ling Chi as its Chairman and Mr Ooi Hoe Seong and Mr Toh Hock Ghim as its members.

Notwithstanding the above, the Group may appoint individuals as new Directors and as members of the Remuneration Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The responsibilities of the Remuneration Committee include the following:

(a) to attract, retain and reward well-qualified people to serve the Group by pegging remuneration and benefits at competitive rates;

(b) to review Directors' fees to ensure that they are at sufficiently competitive levels;

(c) to reward staff based on their merit and performance through annual merit service increments;

(d) to review and advise the Board on the terms of appointment and remuneration of its members and senior management of the Group;

(e) to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and

(f) to recommend to the Board in consultation with the Management and the Chairman of the Board, any long term incentive scheme.

The Remuneration Committee reviews and recommends to the Board for approval the fees and remuneration of all Directors (including the Executive Chairman and Chief Executive Officer). No Director is involved in deciding his own remuneration.

The Remuneration Committee will be provided with access to professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company. No remuneration consultants were appointed for the remuneration matters.

The Remuneration Committee reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. As part of its review, the Remuneration Committee shall ensure that:

(a) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

(b) the remuneration packages should be comparable with comparable companies within the industry, shall include a performance-related element; and

(c) the remuneration package of employees related to Directors or Controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The members of the Remuneration Committee have not and will not participate in any decision concerning their own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors needed to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

In setting remuneration packages, the Remuneration Committee will take into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee will ensure that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Executive Directors' interests with those of Shareholders and link rewards to corporate and individual performance.

In determining the remuneration of the Independent Directors, the Remuneration Committee will ensure that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Independent Directors. The Remuneration Committee will ensure that Independent Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Directors. The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

Currently, the Company does not have any long-term incentive scheme for its Directors and key managements.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

Details of remuneration in bands of S$250,000 paid to the Directors for the FY2016 are set out below:

Remuneration Band and Name of Directors	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Above S$500,000 but below S$700,000					
Lu Da Chuan(1)	–	78	11	11	100
Above S$250,000 but below S$500,000					
Liu Zhong Qiu	–	89	11	–	100
Below S$250,000					
Zang Jian Jun	–	100	–	–	100
Wen Jie(2)	–	100	–	–	100
Liu Lei(3)	–	77	8	15	100
Ooi Hoe Seong	100	–	–	–	100
Toh Hock Ghim	100	–	–	–	100
Ling Chi	100	–	–	–	100

Notes:

(1) Mr Lu Da Chuan was resigned from the Board with effect from 28 February 2017.

(2) Mr Wen Jie was resigned from the Board with effect from 19 May 2016.

(3) Mr Liu Lei was resigned from the Board with effect from 7 September 2016.

Details of remuneration paid to the key management personnel for the FY2016 are set out below:

Remuneration Band and Name of Key Management Personnel	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Above S$250,000 but below S$500,000					
Ju Jia(1)	–	86	14	–	100

Note:

(1) Ms Ju Jia was re-designated from Chief Financial Officer to Vice President of Internal Audit and Risk Management of the Company with effect from 1 January 2017.

Due to the size of the Company, the Company did not have any other key management personnel in FY2016 save for Mr Zang Jian Jun, Mr Liu Zhong Qiu, Mr Wen Jie, Mr Lu Da Chuan, Mr Liu Lei and Ms Ju Jia. The details of remuneration paid to these key management personnel for their services are set out above in bands of S$250,000.

For FY2016 the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the CEO) amounted to S$252,000.

For FY2016, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period and termination payment in lieu of service.

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the Key Executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The Company also did not employ any employees who are immediate family members of a Director, the Chief Executive Officer or Substantial Shareholders in FY2016.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Management provides the Board with balanced and understandable management accounts of the Group's performance periodically as and when necessary. This includes, *inter alia*, circulating the financial statements, which are prepared on a quarterly basis, to the Directors for their review such that the Directors may monitor the Group's performance as well as the Management's achievements of goals and objectives set by the Board.

The Board provides the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis through its quarterly announcements on SGXNET in relation to its financial statements for the relevant financial period. The announcements containing the quarterly financial statements are signed by two Directors, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, that nothing has come to the attention of the Board which may render the unaudited interim financial statements contained in the announcements to be false or misleading in any material aspect.

The Company adopts the practice of communicating major developments in its business and operations to the SGX-ST, its shareholders and its employees. Announcements are released via SGXNET and if necessary, circulars and/or letters are also sent to Shareholders of the Company to provide them with further information on the Company's businesses and operations.

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 shareholders' interests 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 overall systems of risk management and internal controls but recognises that no cost effective internal control system will preclude all errors and irregularities, as 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.

The Board notes that no systems of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. The Company's systems of risk management and internal controls provide reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Risk Management Committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.

The Audit Committee shall, on behalf of the Board, conduct regular review of the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls, put in place by Management.

The Group has in place a management structure with clear reporting lines and delegation of authority to carry out its operations. Management monitors the performance, operating effectiveness and efficiency of the Company's internal control practices through their day-to-day involvement in the Group's operations.

To ensure that internal controls are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The assistance of the internal auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. The Board, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Board has also received assurance from the Chief Executive Officer and the Chief Financial Officer:

(a) 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; and

(b) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the work done by the external auditors and the Company's internal auditor for FY2016, Deloitte & Touche Enterprise Risk Services Pte Ltd and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, maintained by Management that were in place in FY2016 and up to the date of this report, are adequate and effective.

Audit Committee

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

The Audit Committee is chaired by Mr Ooi Hoe Seong and its members include Mr Toh Hock Ghim and Ms Ling Chi. All members of the Audit Committee bring with them invaluable managerial and professional expertise in the financial and/or business management spheres. In particular, Mr. Ooi Hoe Seong, the Chairman of the Audit Committee, has over 25 years of management, corporate finance and wealth management experience with many multi-national companies.

In general, the Group may appoint individuals as new Directors and as members of the Audit Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

All Audit Committee members, including the Audit Committee Chairman, are independent and non-executive directors. In addition, no former partner or director of the Company's existing auditing firm has acted as a member of the Audit Committee.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors. Specifically, for any changes to the accounting and financial reporting standards, the Audit Committee is kept updated annually or from time to time by the external auditors.

The Audit Committee assists the Board in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and review the adequacy and effectiveness of systems of risk management and internal controls, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Company. The Audit Committee meets as and when required to discuss and review the following matters:

(a) the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;

(b) the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;

(c) the financial statements of the Company and the consolidated financial statements of the Group;

(d) the quarterly and annual announcement of the results of the Group before submission to the Board for approval;

(e) the adequacy and effectiveness of the Group's systems of risk management and internal controls including financial, operational, compliance and information technology controls;

(f) legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

(g) the cost effectiveness, independence and objectivity of the external auditor;

(h) the approval of compensation to the external auditor;

(i) the nature and extent of non-audit services provided by the external auditor;

(j) the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;

(k) any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and the Management's response;

(l) to report actions and minutes of the Audit Committee to the Board with such recommendations as the Audit Committee considers appropriate;

(m) interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and

(n) reviewing the adequacy and effectiveness of the internal audit function.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings.

The Audit Committee will provide a channel of communication between the Board, the Management and the external auditors of the Company, Ernst & Young LLP, on matters relating to audit. Ernst & Young LLP is an auditing firm registered with the Singapore Accounting & Corporate Regulatory Authority and it was in charge of auditing the Company and all its subsidiaries in FY2016.

The Audit Committee has reviewed the work performed by Ernst & Young LLP after taking into consideration the guidelines set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued in July 2010 by SGX-ST and ACRA and the "Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework" introduced by ACRA. After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the size and complexity of our Group, the Audit Committee and the Board were satisfied that Rules 712 and Rule 715 read with Rule 716 of the SGX Listing Manual have been complied with and were of the view that Ernst & Young LLP have been able to assist the Company in meeting its audit obligations.

Annually, the Audit Committee meets with the external auditors and the internal auditors without the presence of the Management. In addition, the Audit Committee conducts a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

On this basis, the Audit Committee has recommended to the Board the nomination of Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting. Fees paid or payable by the Group to the external auditors (and member firms) of the Company for audit services and non-audit services for FY2016 amounted to S$541,000 and S$508,000 respectively.

Notwithstanding the above, the Audit Committee Members also had informal discussions with the Management of the Company or such discussions were tabled at the Board Meetings instead.

For FY2016, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and effectiveness of the same. The Audit Committee is satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Chief Financial Officer and other senior management in the Finance Department.

The Audit Committee has also reviewed the policy and arrangements by which the employees of the Company may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for concerns to be raised, independent investigation of such matters and for appropriate follow-up action as and when the need arise. As at the date of this Report, the Company has in place a set of whistle-blowing policy and arrangements for this purpose.

Internal Audit

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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits.

After evaluation and approval by the Audit Committee, the Company had appointed the external audit firm Deloitte & Touche Enterprise Risk Services Pte Ltd to perform internal audit functions for FY2016 ("**Internal Auditors**"). The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. Procedures are in place for the Internal Auditors to report independently their findings and recommendations to the Audit Committee for review. The Company has set up its own internal audit department with effect from 1 January 2017.

Messrs Deloitte & Touche Enterprise Risk Services Pte Ltd was not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by the Internal Auditors had met or are expected to meet or exceed the standards set out by the Institute of Internal Auditors.

The role of the Internal Auditors is to support the Audit Committee in ensuring that the Company maintains sound systems of risk management and internal control by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigation, if necessary, as directed by the Audit Committee.

The Internal Auditors shall remain independent of management and shall report directly to the Chairman of the Audit Committee. The Internal Auditors shall be responsible for the preparation of internal audit plans to be reviewed and approved by the Audit Committee. The Audit Committee reviewed and approved the internal audit plans proposed by the Internal Auditors.

The Audit Committee is satisfied that the Internal Auditors has adequate resources to perform its function effectively and staffed by suitably qualified and experienced professionals with the relevant experience.

The Audit Committee meets at least once annually to assess the adequacy of the audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the Internal Auditors.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

The annual conduct of audits by the Internal Auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the Audit Committee and the Management that the Group's risk management, controls and governance processes are adequate and effective.

(D) SHAREHOLDERS RIGHTS AND RESPONSBILITIES

Shareholder Rights

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

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting. These notices are also advertised in a national newspaper.

Shareholders are informed of general meetings through the announcement released to the SGXNET and notices contained in the Annual Report or circulars sent to all shareholders. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/ she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. The Company's Bye-laws does not include the nominee or custodial services to appoint more than two proxies.

Communication with Shareholders

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

In line with continuous disclosure obligations of the Company, pursuant to the listing rules of the SGX-ST's Listing Manual, the Board's policy is that Shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

(a) annual reports that are prepared and issued to all Shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required under the listing rules of the SGX-ST's Listing Manual and the relevant accounting standards;

(b) quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;

(c) notices of and explanatory memoranda for annual general meetings and special general meetings;

(d) disclosures to the SGX-ST and the Shareholders by releasing announcements via SGXNET and its corporate website; and

(e) analyst briefings and investor roadshows.

The Company's website at http://www.cefci.com.sg/ at which our shareholders can access financial information, corporate announcements, press releases, annual reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company has dedicated investor relations ("**IR**") personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. No dividend was paid or proposed for FY2016 as the Board feels it is prudent to retain cash resources so that the Company has the flexibility to execute its business plans effectively.

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.

The Board is mindful of its obligations to provide timely disclosure of material information to Shareholders and does so through (i) the Company's Annual Reports; (ii) the Group's results announcements; and (iii) other SGXNET announcements on developments within the Group or in relation to disclosures required by the SGX-ST. If necessary, the Group will also despatch circulars or letters to its Shareholders to provide the Shareholders with more information on its major transactions.

The Board regards the general meetings as opportunities to communicate directly with the Shareholders and encourages greater shareholder participation. As such, the Shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. Notices of general meetings are dispatched to the Shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting. The notices of general meetings are also released as announcements via SGXNET and advertised in the newspapers.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their requests.

General meetings of the Company will be chaired by the Executive Chairman or his representatives and are also attended by other Directors, the Management, the Company Secretary and if necessary, the external auditor, Ernst & Young LLP. In the event that a Shareholder has any queries and/or concerns with regards to the Group, its businesses and operations, the Shareholder may raise his/ her queries and/or concerns at such general meetings so that the Company can better understand the views of the Shareholders. The Board (assisted by the Management, the Company Secretary or her representative, external auditors as well as the Chairman of the Board Committees) will address any relevant queries and/or concerns raised by the Shareholders.

The Company's Bye-laws allow any Shareholder to appoint one or two proxies to attend the general meetings held and vote in his/her place. However, the Board is of the view that voting in absentia can only be possible if there is absolute certainty that the integrity of the information and authentication of the identity of such Shareholder is not compromised.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. For cost effectiveness, the voting of the resolutions at the general meetings are conducted by manual polling. In addition to the above, the detailed results of all general meetings are also released as announcements via SGXNET after the general meetings.

(E) DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in before the announcement of the Company's full year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, Director's Report and these financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholders subsisting at the end of FY2016.

(G) REPORT ON THE USE OF SHARE PLACEMENT PROCEEDS

As announced via SGXNET, the Company had on 4 September 2015 allotted and issued 705,530,975 new ordinary shares to subscribers at the issue price of S$0.35 per share representing gross proceeds of approximately S$247 million (equivalent to US$178 million), which was utilised for expansion of trading business (including commodity and derivative trading), repayment of shareholders' loan, general working capital of the Group and general corporate activities, including but not limited to potential acquisitions and joint ventures. By the financial period ended 30 September 2016, the proceeds has been fully utilised as follows:

Utilisation of Proceeds	**US$'000**
Description	
Expansion of trading business (Including commodity and derivative trading)	131,002
Repayment of shareholder loan	9,400
General working capital of the Group[1]	9,950
General corporate activities, including but not limited to potential acquisitions and joint ventures	28,000
Total	**178,352**

Note:

[1] General working capital of the Group comprises entirely administrative expenses.

(H) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The Board will meet to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST's Listing Manual.

The Audit Committee has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

The Group and the Company confirm that there were no interested person transactions during the period under review.

(I) RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

The Risk Management Committee was established on 30 November 2015 to assist the Board in the governance of risk. In particular, the committee shall, on behalf of the Board, determine the Company's level of risk tolerance and oversee the Management in the design, implementation and monitoring of risk management and internal control systems in the Company.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of CEFC International Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 2016 and the financial performance, changes in equity and cash flow of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Zang Jian Jun
Zhao Guang Ming
Liu Zhong Qiu
Ooi Hoe Seong
Toh Hock Ghim
Ling Chi

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interest in the shares, share options, warrants or debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company.

Between 31 December 2016 and 21 January 2017, Zang Jian Jun assumed deemed interest in 2,701,614,695 ordinary shares of the Company.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year, or as at 21 January 2017.

Options

During the financial year, there was:

(a) no option granted by the Company to any person to take up unissued shares in the Company and its subsidiaries; and

(b) no share issued by virtue of any exercise of option to take up unissued shares of the Company and its subsidiaries.

As at the end of the financial year, there was no unissued share under option in the Company or its subsidiaries.

Audit committee

The Audit Committee ("AC") of the Company comprises three non-executive directors and at the date of this statement, they are:

Ooi Hoe Seong (Chairman)
Toh Hock Ghim
Ling Chi

The AC had convened four meetings during the financial year with key management and the internal and external auditors of the Company. The AC had carried out its functions, including the following:

(i) Reviewed the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditor, including the review of the extent of non-audit services provided by the external auditor to the Group;

(ii) Reviewed the audit plan of the internal auditor of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) Reviewed the Group's annual financial statements and the external auditor's report on the annual financial statements of the Group and of the Company before their submission to the Board of Directors;

(iv) Reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) Reviewed the effectiveness of the Group's and the Company's internal controls, including financial operational and compliance controls and risk management via reviews carried out by the internal auditor;

(vi) Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(vii) Reviewed the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(viii) Reviewed interested person transactions in accordance with SGX listing rules;

(ix) Recommended to the Board of Directors the nomination of external auditor, and approved the compensation to the external auditor; and

(x) Reported actions and minutes of the AC to the Board of Directors with any recommendations as the AC deems appropriate.

Audit committee (cont'd)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the directors the nomination of Ernst & Young LLP for re-appointment as the external auditor of the Group at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Zang Jian Jun	**Zhao Guang Ming**
Director	Director

Singapore: 17 March 2017

INDEPENDENT AUDITOR'S REPORT

to the Members of CEFC International Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CEFC International Limited (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 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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 2016, and its consolidated financial performance, consolidated changes in equity and consolidated cash flow 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 opinion

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 Consolidated 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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 CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited group of companies for US$20.5m, and recognised goodwill of US$7.2m. This acquisition was accounted for using the acquisition method where the Group performed a provisional purchase price allocation ("PPA") exercise as disclosed in Note 12 to the financial statements.

Key audit matters (cont'd)

Accounting for business combination (cont'd)

We have determined this to be a key audit matter based on the quantitative materiality of the acquisition, the significant management judgment and estimates made on the provisional PPA and the adjustments made to align accounting policies with those of the Group. The significant management judgment and estimates involved in the provisional PPA exercise mainly relate to the determination of the fair value of the acquired assets, particularly trade receivables and property, plant and equipment, and the adequacy of provisions for asset dismantling cost and land restoration cost.

As part of our audit procedures on the accounting for the acquisition, we read the purchase agreements to obtain an understanding of the transactions and the key terms. An important element of our audit relates to management's identification and fair value measurement of the acquired assets and liabilities. We tested this identification and measurement based on our discussion with management and our understanding of the business of the acquired companies. We involved our internal specialists in assisting us in reviewing the management's valuation methodologies and assessing the key assumptions and inputs used in measuring the fair value of the net identifiable assets. We evaluated the timing and appropriateness of the accounting treatment and consideration of the acquisition based on the contractual agreements. We also assessed the adequacy of the related disclosures in Note 12 to the financial statements.

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. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free form material misstatement, whether due to fraud or error. In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

INDEPENDENT AUDITOR'S REPORT

to the Members of CEFC International Limited

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
17 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

		Group	
	Note	2016	2015
		US$'000	US$'000
Revenue	4	999,465	474,471
Cost of sales		(987,288)	(447,036)
Gross profit		12,177	27,435
Other income		21	104
Administrative expenses		(8,494)	(5,578)
Finance expenses		(349)	(81)
Other operating expenses		(114)	(43)
Share of results of joint venture (net of tax)	14	42	(45)
Profit before income tax	5	3,283	21,792
Income tax expense	7	(560)	(3,847)
Profit for the financial year, representing total comprehensive income for the year		2,723	17,945
Earnings per share from profit attributable to owners of the Company (cents per share)			
Basic and diluted	8	0.064	0.478

There is no other comprehensive income for the financial years ended 31 December 2016 and 2015.

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000	Company 2016 US$'000	Company 2015 US$'000
Non-current assets					
Property, plant and equipment	9	37,602	351	–	–
Intangible assets	10	8,522	1	1	1
Investment in subsidiaries	12	–	–	48,660	28,160
Investment in associates	13	9,137	–	–	–
Investment in joint ventures	14	38,298	26,575	–	–
Available-for-sale financial assets	11	4	–	–	–
Other receivables	15	284	–	–	–
Total non-current assets		93,847	26,927	48,661	28,161
Current assets					
Inventories	16	41,694	–	–	–
Trade and other receivables	15	292,778	200,752	52	23
Derivative financial assets	17	461	–	–	–
Amounts due from subsidiaries	18	–	–	144,137	124,220
Amounts due from related companies	19	4,604	–	–	–
Tax recoverable		1,712	–	–	–
Cash and cash equivalents	20	36,446	43,606	490	22,411
Total current assets		377,695	244,358	144,679	146,654
Total assets		471,542	271,285	193,340	174,815
Current liabilities					
Trade and other payables	21	151,992	63,860	353	91
Derivative financial liabilities	17	1,389	–	–	–
Loans and borrowings	22	36,455	–	–	–
Amounts due to holding company	23	4,185	5,685	–	–
Amounts due to related companies	19	30,827	–	20,500	–
Income tax payable		685	4,047	–	–
Total current liabilities		225,533	73,592	20,853	91
Net current assets		152,162	170,766	123,826	146,563
Non-current liabilities					
Provisions	24	9,428	141	–	–
Deferred tax liabilities	25	8,860	–	–	–
Loans and borrowings	22	10,293	–	–	–
Other payables	21	842	–	–	–
Total non-current liabilities		29,423	141	–	–
Total liabilities		254,956	73,733	20,853	91
Equity					
Share capital	26	545	545	545	545
Share premium	27	196,308	196,308	196,308	196,308
Retained earnings/(accumulated losses)		3,422	699	(24,366)	(22,129)
		200,275	197,552	172,487	174,724
Non-controlling interests		16,311	–	–	–
Total equity		216,586	197,552	172,487	174,724
Total equity and liabilities		471,542	271,285	193,340	174,815

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to the owners of the Company					
	Share capital	Share premium	Retained earnings/ (accumulated losses)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
At 1 January 2015	454	18,116	(17,246)	1,324	–	1,324
Issuance of subscription shares (Note 26, 27)	91	178,192	–	178,283	–	178,283
Profit for the financial year, representing total comprehensive income for the financial year	–	–	17,945	17,945	–	17,945
Balance at 31 December 2015 and at 1 January 2016	545	196,308	699	197,552	–	197,552
Profit for the financial year, representing total comprehensive income for the financial year	–	–	2,723	2,723	–	2,723
Acquisition of a subsidiary	–	–	–	–	16,311	16,311
Balance at 31 December 2016	545	196,308	3,422	200,275	16,311	216,586

	Attributable to the owners of the Company			
	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total equity/ (capital deficiency)
	US$'000	US$'000	US$'000	US$'000
Company				
At 1 January 2015	454	18,116	(21,248)	(2,678)
Issuance of subscription shares (Note 26, 27)	91	178,192	–	178,283
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(881)	(881)
At 31 December 2015 and at 1 January 2016	545	196,308	(22,129)	174,724
Loss for the financial year, representing total comprehensive income for the financial year	–	–	(2,237)	(2,237)
At 31 December 2016	545	196,308	(24,366)	172,487

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	Group 2016 US$'000	Group 2015 US$'000
Cash flows from operating activities			
Profit before income tax		3,283	21,792
Adjustments for:			
Amortisation of intangible assets	10	75	1
Depreciation of property, plant and equipment	9	143	115
Loss on disposal of property and equipment	9	33	24
Fair value measurement on derivative instrument		(461)	–
Interest expense		167	81
Interest income		(6)	(3)
Share of results of joint venture	14	(42)	45
Unrealised exchange differences		(19)	(81)
Operating cash flows before changes in working capital		3,173	21,974
Changes in working capital:			
Decrease/(increase) in trade and other receivables		48,728	(169,173)
(Decrease)/increase in trade and other payables		(58,612)	46,927
Cash flows used in operations		(6,711)	(100,272)
Income taxes paid		(3,887)	(149)
Interest paid		(167)	(81)
Interest received		6	3
Net cash flows used in operating activities		(10,759)	(100,499)
Cash flows from investing activities			
Acquisition of a subsidiary	12	(7,240)	–
Purchases of property, plant and equipment	9	(69)	(344)
Additions to intangible assets	10	(447)	(1)
Refund of excess capital injection/(investment) in joint venture	14	66	(26,620)
Net cash flows used in investing activities		(7,690)	(26,965)
Cash flows from financing activities			
Issuance of subscription shares	26, 27	–	178,283
Repayments to holding company		(1,500)	(9,746)
Fixed deposit (pledged with)/released from financial institutions	20	(609)	1,001
Net cash flows (used in)/generated from financing activities		(2,109)	169,538
Net (decrease)/increase in cash and cash equivalents		(20,558)	42,074
Cash and cash equivalents at beginning of year		43,606	1,593
Effects of exchange rate changes on cash and cash equivalents		(16)	(61)
Cash and cash equivalents at end of year	20	23,032	43,606

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. General information

CEFC International Limited (the "Company") (Registration Number : 35733) is incorporated in Bermuda as an exempted company with limited liability and listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at 1 Raffles Place, #11-61 One Raffles Place, Singapore 048616.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 12 to the financial statements.

AnAn Group (Singapore) Pte. Ltd. (formerly known as Singapore Petrochemical & Energy Development Pte. Ltd.), a company incorporated in the Republic of Singapore, is the Company's immediate and ultimate holding company.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by International Accounting Standards Board ("IASB"), and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each entity of the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

The financial statements are presented in United States dollar ("USD" or "US$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("US$'000"), unless otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised IFRS and interpretations which are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture*	To be determined
Amendments to IAS 7 *Disclosure Initiative*	1 January 2017
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 *Classification and Measurements of Share-based Payment Transactions*	1 January 2018
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application, except for IFRS 9 and IFRS 16 which are under review.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model.

(a) Classification and measurement

The Group will continue to measure its derivative financial instruments at fair value though profit or loss (FVTPL) and intends to hold the available-for-sale financial assets at either fair value through profit or loss or fair value through other comprehensive income. The Group does not expect any significant impact arising from these changes.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects to have an impact in provision for loan loss impairment, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact. The Group plans to adopt the new standard on the required effective date without restating prior periods' information and to recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

IFRS 16 Leases

IFRS 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, and to affect certain related financial ratios of the Group.

2.4 ***Basis of consolidation***

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets, liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in a subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation (cont'd)***

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of a subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.5 ***Foreign currency transactions and translation***

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e., functional currency, to be US$. Sales prices and major costs of providing goods and services including major operating expenses are primarily denominated in US$.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

2. Summary of significant accounting policies (cont'd)

2.6 ***Business combinations***

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell, and except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-Based Payment*; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. Summary of significant accounting policies (cont'd)

2.7 ***Joint arrangements***

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in Note 2.8.

2.8 ***Joint ventures and associates***

The Group accounts for its investment in joint ventures and associates using the equity method from the date on which it becomes a joint venture or associate. An associate is entity over which the Group has the power to participate in the financial and operating policy decision of the investee but does not have control or joint control of those policies.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's or associate profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures or associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures or associates. The profit or loss reflects the share of results of the operations of the joint ventures or associates. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint ventures or associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint ventures or associates are eliminated to the extent of the interest in the joint ventures or associates.

When the Group's share of losses in joint ventures or associates equals or exceeds its interest in the joint ventures or associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures or associates.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures or associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint ventures or associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures or associates and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures or associates are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Summary of significant accounting policies (cont'd)

2.9 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

(a) *Physical trading*

Revenue from the physical trading is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

(b) *Derivative trading*

Revenue from derivative trading is recognized from the mark-to-market activities of the derivatives traded into from the trade date.

(c) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

2.10 ***Borrowing costs***

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.11 ***Retirement benefit costs***

Payment to defined contribution retirement benefits plans are charged as an expense as they fall due. Payment made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.12 ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.13 ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

2. Summary of significant accounting policies (cont'd)

2.13 ***Property, plant and equipment (cont'd)***

Subsequent expenditures relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using straight-line method, on the following bases:

Office equipment, furniture and fitting	-	5 years
Motor vehicles	-	5 years
Computers	-	3 years
Leasehold improvements	-	3 years or shorter of the leases
Land and building	-	20 to 30 years
Plant and machinery	-	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year. The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

Assets under construction in progress included are not depreciated as these assets are not yet available for use.

2.14 ***Intangible assets***

Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss over their estimated useful lives of 3 to 4 years.

2. Summary of significant accounting policies (cont'd)

2.14 ***Intangible assets (cont'd)***

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 13 to 17 years.

Concessions and similar rights

Concessions and similar rights acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 15 years.

2.15 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 ***Financial instruments***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

2. Summary of significant accounting policies (cont'd)

2.16 ***Financial instruments (cont'd)***

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

All financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss or fair value reserve, which are initially measured at fair value.

Financial assets are classified into loans and receivables, fair value through profit and loss or available-for-sale. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade receivables, other assets (excluding prepayments), amounts due from subsidiaries, amount due from related companies and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets, at fair value through profit or loss

This has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the short-term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held-for-trading or are expected to be realised within 12 months after the end of reporting period.

Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

Financial assets, both fair value through profit or loss and available-for-sale are subsequently carried at fair value. Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, are recognised in profit or loss when the changes arise. Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e., non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

2. Summary of significant accounting policies (cont'd)

2.16 ***Financial instruments (cont'd)***

Initial recognition and measurement (cont'd)

(a) Financial assets (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In addition to the objective evidence of impairment as described, a significant or prolonged decline in the fair value of an available-for-sale equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Regular way purchase or sale at a financial asset

All regular way purchases and sales at financial asset are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales at financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

2. Summary of significant accounting policies (cont'd)

2.16 ***Financial instruments (cont'd)***

Initial recognition and measurement (cont'd)

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Trade and other payables (excluding provisions and advance collection), loans and borrowings, amounts due to holding company and amount due to related companies

Trade and other payables (excluding provisions and advance collection), loans and borrowings, amounts due to holding company and amount due to related companies are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and liabilities simultaneously.

2.17 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and demand deposits with financial institutions, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral, which form an integral part of the Group's cash management.

2. Summary of significant accounting policies (cont'd)

2.18 ***Inventories***

Inventories held for trading purposes are stated at fair value less costs to sell and any changes in fair value less costs to sell are recognised in profit or loss in the period of change.

Other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance in provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.19 ***Operating leases***

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.20 ***Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as and when they arise.

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

2. Summary of significant accounting policies (cont'd)

2.21 ***Borrowings***

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.22 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who makes strategic decisions.

2.23 ***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grant related to income is presented as a credit in profit or loss under "Other income".

2.24 ***Financial guarantee contracts***

The Company has issued corporate guarantees to banks for borrowings by a subsidiary and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breaches any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with IAS 18 *Revenue*.

2.25 ***Share capital, share premium and share issuance expenses***

Ordinary share capital is classified as equity.

Share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its share premium account in any manner permitted by law.

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 ***Derivative financial instruments***

Derivative financial instruments arise from commodity futures and forwards transactions undertaken by the Group through the commodity trading markets and with over-the-counter ("OTC") counterparties, as well as physical oil trading contracts that meet the definition of derivative contracts per IAS 39, as at the end of the reporting period.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of a trading derivative is presented as a current asset or liability. Fair value changes on these derivatives are recognised in profit or loss when the changes arise, except for those that qualify as hedge accounting, which is recognised in the hedging reserve.

The Group does not apply hedge accounting on its derivative financial instruments.

2. Summary of significant accounting policies (cont'd)

2.27 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

2.28 ***Income taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.28 ***Income taxes (cont'd)***

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Allowance for trade receivables*

The provision policy for doubtful receivables of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of the Group's trade receivables as at 31 December 2016 was US$286,752,000 (2015: US$197,692,000) (Note 15).

(b) *Provision for income taxes*

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 31 December 2016 was US$685,000 (2015: US$4,047,000).

(c) *Goodwill arising from acquisition of subsidiaries*

The Group recognises goodwill arising from acquisition of subsidiaries using a provisional purchase price allocation exercise to determine the fair value of the acquired assets and liabilities on the first year of acquisition of the subsidiaries. In determining the fair value of the acquired assets and liabilities, significant management estimates are required on areas including loan loss provision for trade receivables, impairment of property, plant and equipment as well as provision for asset dismantling cost and land restoration cost arising from the acquired subsidiaries' operations in France.

The carrying amount of the Group's provisions for trade receivables and asset dismantling and land restoration cost as at 31 December 2016 was US$3,980,000 (2015: US$Nil) and US$6,408,000 (2015: US$Nil) respectively. No impairment has been provided on the property, plant and equipment as at the end of the year. Further details are provided in Note 9 and 12.

4. Revenue

	Group 2016 US$'000	Group 2015 US$'000
Physical trading of petroleum and petrochemical products	1,001,785	453,395
Derivative trading - net (loss)/gain	(2,320)	21,076
	999,465	474,471

5. Profit before tax

The following items have been included in arriving at profit before tax:

	Group 2016 US$'000	Group 2015 US$'000
Audit fees paid to auditors of the Company	112	188
Non-audit fees paid to auditors of the Company	344	55
Amortisation of intangible assets (Note 10)	75	1
Depreciation of property, plant and equipment (Note 9)	143	115
Operating lease expenses	1,107	721
Professional fees	1,324	267
Directors' fees	218	218
Loss on disposal of property, plant and equipment	33	24
Staff cost (Note 6)	4,023	2,851
Net foreign exchange loss/(gain)	131	(92)

6. Staff cost

	Group 2016 US$'000	Group 2015 US$'000
Salaries and bonuses	3,499	2,566
Employer's contribution to CPF	163	64
Other staff related costs	361	221
	4,023	2,851

7. Income tax expense

	Group 2016 US$'000	Group 2015 US$'000
Tax expense attributable to profit before taxation is made up of:		
- Current income tax	685	3,795
- (Over)/under provision in respect of prior years	(125)	52
	560	3,847

Income tax is calculated on the estimated assessable profit for the financial year at the rates prevailing in the relevant jurisdictions.

A significant amount of the Group's profits are derived from Singapore, and the income tax expenses varied from the amount of income tax expense determined by applying the Singapore standard income tax rate of 17% to profit before taxation as a result of the following differences:

	Group 2016 US$'000	Group 2015 US$'000
Profit before taxation	3,283	21,792
Tax at the domestic rates applicable to profits in the countries where the Group operates	558	3,704
Adjustment for:		
Non-deductible expenses	167	36
Non-taxable income	(2)	–
Effect of partial tax exemption and tax relief	(38)	(117)
(Over)/under provision in respect of prior years	(125)	52
Income tax expense recognised in profit or loss	560	3,847

The Singapore Government has announced that for Years of Assessment ("YA") 2016 and 2017, all companies will receive a 50% Corporate Income Tax ("CIT") Rebate that is subject to a cap of S$20,000 and S$25,000 respectively.

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share:

	Group 2016	Group 2015
Profit for the financial year attributable to owners of the Company (US$'000)	2,723	17,945
Weighted average number of ordinary shares outstanding for earnings per share ('000)	4,233,186	3,757,677
Earnings per share (cents)	0.064	0.478

9. Property, plant and equipment

Group	Office equipment, furniture and fitting	Motor vehicles	Computers	Leasehold improvements	Land and building	Plant and machinery	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2015	61	216	27	44	–	–	–	348
Additions	73	–	76	195	–	–	–	344
Disposals	(50)	–	–	(13)	–	–	–	(63)
At 31 December 2015 and at 1 January 2016	84	216	103	226	–	–	–	629
Additions	19	–	50	–	–	–	–	69
Disposals	–	(216)	–	–	–	–	–	(216)
Acquisition of a subsidiary	260	–	10	–	28,276	7,802	1,010	37,358
At 31 December 2016	363	–	163	226	28,276	7,802	1,010	37,840
Accumulated depreciation								
At 1 January 2015	31	119	21	31	–	–	–	202
Depreciation	11	43	15	46	–	–	–	115
Disposal	(27)	–	–	(12)	–	–	–	(39)
At 31 December 2015 and at 1 January 2016	15	162	36	65	–	–	–	278
Depreciation	20	21	37	65	–	–	–	143
Disposal	–	(183)	–	–	–	–	–	(183)
At 31 December 2016	35	–	73	130	–	–	–	238
Carrying amounts								
At 31 December 2015	69	54	67	161	–	–	–	351
At 31 December 2016	328	–	90	96	28,276	7,802	1,010	37,602

10. Intangible assets

Group	Goodwill	Software	Land use rights	Concessions and similar rights	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2015	–	14	–	–	14
Additions	–	1	–	–	1
At 31 December 2015 and at 1 January 2016	–	15	–	–	15
Additions	–	447	–	–	447
Acquisition of a subsidiary	7,154	259	80	656	8,149
At 31 December 2016	7,154	721	80	656	8,611
Accumulated depreciation					
At 1 January 2015	–	13	–	–	13
Amortisation	–	1	–	–	1
At 31 December 2015 and at 1 January 2016	–	14	–	–	14
Amortisation	–	75	–	–	75
At 31 December 2016	–	89	–	–	89
Carrying amounts					
At 31 December 2015	–	1	–	–	1
At 31 December 2016	7,154	632	80	656	8,522

11. Available-for-sale financial assets

	Group	
	2016	2015
	US$'000	US$'000
Unquoted equity securities, at cost	4	–

The investments in unquoted equity securities are stated at cost less impairment loss, if any, as their fair value cannot be measured reliably.

12. Investment in subsidiaries

	Company 2016 US$'000	Company 2015 US$'000
Unquoted equity share, at cost	48,660	28,160

The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held by the Company 2016 %	Effective equity interest held by the Company 2015 %
Held directly by the Company				
Singapore CEFC Petrochemical & Energy Pte. Ltd. (Note a)	Singapore	Trading	100	100
Hong Kong China Energy Finance Service Co., Limited.("HKCEFS") (Note b)	Hong Kong	Trading and investment holding	100	100
CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited. (Note b)	Hong Kong	Investment holding	100	–
Held through Hong Kong China Energy Finance Service Co., Limited. ("HKCEFS")				
Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd	People's Republic of China	Equity trust investment and consulting services	100	–
Held through CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited ("CEFCAM")				
Rompetrol France SAS. (Note c)	France	Investment holding	51	–
Hong Kong Nomad Petroleum Company Limited	Hong Kong	Investment holding	100	–
Held through Rompetrol France SAS				
Dyneff SAS. (Note c)	France	Distribution of petroleum products	51	–

12. Investment in subsidiaries (cont'd)

The details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held by the Company 2016	2015
			%	%
Held through Dyneff SAS				
DPPLN SAS (Note c)	France	Dormant	51	–
TMP SAS (Note c)	France	Dormant	51	–
Dyneff gas stations network SL. (Note e)	Spain	Dormant	51	–
Dyneff Espagne SL (Note d)	Spain	Distribution of petroleum products	51	–
Dyneff Trading SL (Note e)	Spain	Operation of petrol stations	51	–

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

Incorporation of a subsidiary

On 8 January 2016, the Group incorporated a wholly-owned subsidiary 'Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd.' in the People's Republic of China, through one of the Group's subsidiaries, HKCEFS. The issued share capital of the new subsidiary amount to US$10,000,000, and its principal activities are in equity trust investment management and consulting services including investment consulting, management consulting and business information consulting. The subsidiary is set up for the purpose of investing in complementary businesses and to expand the Group's business in the People's Republic of China, particularly in the Shanghai Free-Trade Zone.

Acquisition of subsidiaries

On 24 December 2016, the Company acquired CEFCAM Group, which comprised eight subsidiary entities, namely CEFC Assets Management & Equity Investment (Hong Kong) Co., Limited, Rompetrol France SAS, Dyneff SAS, Dyneff Espagne SL, Dyneff Trading SL, Dyneff gas stations network SL, DPPLN SAS and TMP SAS and Hong Kong Nomad Petroleum Company Limited. as well as several associates (Note 13) and joint ventures (Note 14) which will be satisfied in cash as follows:

a) US$2,050,000, comprising 10% of the Purchase Consideration, to be paid on 31 March 2017; and

b) the remaining US$18,450,000, comprising 90% of the Purchase Consideration, to be paid on 31 December 2017.

The acquisition is part of the Group's strategy of enhancing its global presence in its core business of oil and petrochemical trading for its long-term growth.

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries: (cont'd)

The provisional fair values of the identifiable assets and liabilities of CEFCAM Group as at the date of acquisition were:

	2016
	US$'000
Property, plant and equipment	37,358
Intangible assets	995
Available-for-sale financial assets	4
Investment in associates	9,137
Investment in joint venture	11,746
Inventories	41,694
Trade and other receivables	141,041
Amounts due from related companies	5,476
Tax recoverable	1,712
Cash and cash equivalents	5,565
Total assets	254,728
Trade and other payables	(148,459)
Derivatives financial liabilities	(1,389)
Loans and borrowings	(46,748)
Amounts due to related companies	(10,327)
Provisions	(9,288)
Deferred tax liabilities	(8,860)
Total liabilities	(225,071)
Net identifiable assets at fair value	29,657
Purchase consideration	(20,500)
	9,157
Non-controlling interest measured at the non-controlling interest's proportionate share of CEFCAM Group's net identifiable assets	(16,311)
Goodwill arising from acquisition	(7,154)
Effects of the acquisition of CEFCAM Group on cash flows:	
Total purchase consideration	20,500
Less: Cash consideration payable in year 2017	(20,500)
Less: Cash and cash equivalents acquired	(5,565)
Add: Bank overdraft	12,805
Net cash outflow on acquisition	7,240

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 2016, the CEFCAM 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 CEFCAM 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 CEFCAM Group to purchase from the Group all the Sale Shares held by the Group in CEFCAM 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 CEFCAM Group or disrupt, stop and/or terminate of the business or operations of any entities under the CEFCAM Group, arising from the actions of KMGI, any member of the KazMunayGas Group ("KMG Group") or any entities under the CEFCAM 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 CEFCAM 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 CEFCAM Group have been permanently discontinued, or concluded in writing with no adverse order, notice and/or summons being made, against any entities under the CEFCAM Group or in respect of the assets, business and/or operations of any entities under the CEFCAM 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").

Transaction costs

Transactions costs amounting US$1,341,000 relating to the acquisition of the subsidiaries have been recognised in the "administrative expenses" in the Group's consolidated statement of comprehensive income for the year ended 31 December 2016.

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries: (cont'd)

Goodwill arising from acquisition

The goodwill of US$7.2 million is attributed to the value and management expertise of the acquired business, and is non tax-deductible.

Impact of the acquisition on profit or loss

The impact to the Group's profit or loss for 2016 arising from this acquisition is not material.

Provisional accounting of the acquisition

As at 31 December 2016, the fair values of these assets have been determined on a provisional basis as the final results of the valuations have not been ascertained by the date the financial statements were authorised for issue. Goodwill arising from this acquisition, might be adjusted accordingly on a retrospective basis when the valuations of the identifiable assets and liabilities are finalised. The goodwill recognised as at the end of 31 December 2016 has been fully allocated to the one cash-generating unit ("CGU"), which is the distribution segment.

13. Investment in associates

	Group	
	2016	**2015**
	US$'000	**US$'000**
Investment in associates	9,137	–

The details of the associates are as follows:

Name of associates	**Country of incorporation**	**Principal activities**	**Effective equity interest held by the Company 2016**	**2015**
			%	**%**
Held through Dyneff SAS				
DP FOS SA. (Note a)	France	Storage of Petroleum Products	9.67	–
SPR SA. (Note b)	France	Storage of Petroleum Products	16.65	–

(a) Audited by Ernst & Young LLP, France
(b) Audited by Mazars, France

13. Investment in associates (cont'd)

The associates are individually immaterial to the Group and are equity accounted. Aggregate information about the Group's share of the associates' results that are not individually material are as follows:

	Group	
	2016	2015
	US$'000	US$'000
Carrying amount of interest in associates at beginning of the year	–	–
Acquisition of a subsidiary with associates (Note 12)	9,137	–
Carrying amount of interest in associates at end of the year	9,137	–

14. Investment in joint ventures

	Group	
	2016	2015
	US$'000	US$'000
Investment in joint ventures	38,298	26,575

The details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Effective equity interest held by the Company	
			2016	2015
			%	%
Held through Hong Kong China Energy Finance Service Co., Limited.				
Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited. (Note a)	People's Republic of China	Oil storage and transportation	49	49
Held through Dyneff SAS				
BAE. (Note b)	France	Distribution of biocarburant products	50	–
BAE Prod. (Note b)	France	Manufacturing of biocarburant products	50	–
EPPLN SAS. (Note b)	France	Storage of Petroleum Products	50	–

(a) Audited by Ernst & Young LLP, Shanghai
(b) Audited by KPMG LLP, France

14. Investment in joint ventures (cont'd)

The Group has 49% (2015: 49%) interest in the ownership and voting rights in a joint venture, Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited that is held through a subsidiary. This joint venture is incorporated in the People's Republic of China and is a strategic venture in the oil storage and transportation business. The Group jointly controls the venture with another partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The summarised financial information of the Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited, not adjusted for the percentage ownership held by the Group is as follows:

Summarised balance sheet

	Group	
	2016	**2015**
	US$'000	**US$'000**
Cash and cash equivalents	2,283	24,127
Trade receivables	296	–
Other current assets	323	27,051
Total current assets	2,902	51,178
Intangible assets	17,617	18,616
Other non-current assets	82,409	–
Total non-current assets	100,026	18,616
Total assets	102,928	69,794
Current liabilities	(15,315)	(60)
Non-current financial liabilities	(36,736)	(15,500)
Total liabilities	(52,051)	(15,560)
Net assets	50,877	54,234
Proportion of the Group's ownership	49%	49%
Group's share of net assets	24,930	26,575
Exchange difference	1,621	–
Carrying amount of the investment	26,551	26,575

14. Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Group	
	2016	**2015**
	US$'000	**US$'000**
Revenue	1,617	–
Amortisation	(376)	–
Depreciation	(1,163)	–
Operating expenses	(635)	(83)
Other income	648	–
Interest income	7	–
Interest expenses	(1)	(8)
Profit/(loss) before tax	97	(91)
Income tax expense	(10)	–
Profit/(loss) after tax	87	(91)
Total comprehensive income	87	(91)

The movement of the Group's interest in joint ventures during the year is as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Carrying amount of interest in joint ventures at beginning of the year	26,575	–
Investments made during the year	–	26,620
Profit/(loss) from continuing operations	42	(45)
Acquisition of a subsidiary with joint ventures (Note 12)	11,747	–
Refund of excess capital injection	(66)	–
Carrying amount of interest in joint ventures at end of the year	38,298	26,575

15. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Non-current				
Other receivables	284	–	–	–
Current				
Trade receivables due from				
- Third parties	139,091	8,181	–	–
- Related party	151,641	189,511	–	–
	290,732	197,692	–	–
Allowance for doubtful receivables	(3,980)	–	–	–
	286,752	197,692	–	–
Deposits	283	281	–	–
Margin account with broker	2,922	2,645	–	–
Other receivables	2,562	23	–	–
	292,519	200,641	–	–
Prepayments	259	111	52	23
	292,778	200,752	52	23
Loan and receivables (non-current and current)	292,803	200,641	–	–

Trade receivables are non-interest bearing and the average credit period on sale of goods range from 15 to 120 days (2015: 90 to 180 days) according to the terms agreed with the customers.

16. Inventories

	Group	
	2016	2015
	US$'000	US$'000
Trading inventories at fair value less costs to sell	40,052	–
Others	1,642	–
	41,694	–

There are no inventories held by the Company as at the end of 31 December 2015 and 2016.

17. Derivatives

	Group					
	2016			2015		
	US$'000			US$'000		
	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
Oil commodity derivatives	44,198	461	1,382	61,987	–	–
Forward currency contracts	21,790	–	7	–	–	–
	44,470	461	1,389	61,987	–	–

There are no derivatives held by the Company as at the end of 31 December 2015 and 2016.

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.

19. Amounts due from/(to) related companies

The amounts due from/(to) related companies are non-trade in nature, unsecured, interest-free and are repayable on demand.

20. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Cash and short-term deposits	35,837	43,606	490	22,411
Fixed deposits pledged	609	–	–	–
	36,446	43,606	490	22,411

Cash and short-term deposits earn interest at floating rates based on daily bank deposit rates.

Fixed deposits held by the Group as at 31 December 2016 bear interest at an effective interest rate ranging from 0.44% - 2.3% (2015: Nil) per annum, are for tenure of approximately 7 days, and were pledged to banks as a guarantor for VAT representative purposes for the Group.

20. Cash and cash equivalents (cont'd)

For the purpose of the combined statement of cash flows, cash and cash equivalents exclude the bank overdrafts as well as the fixed deposits pledged to banks (which is not available for use by the Company), and comprise the following at the end of the reporting period:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and bank balances	36,446	43,606	490,496	22,411
Bank overdrafts (Note 22)	(12,805)	–	–	–
Fixed deposits pledged	(609)	–	–	–
	23,032	43,606	490,496	22,411

21. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current				
Other payables	842	–	–	–
Current				
Trade payables - third parties	86,735	62,369	–	–
Advance collection	194	863	–	–
Accrued operating expenses	804	337	353	91
Other payables	64,259	291	–	–
	151,992	63,860	353	91
Trade and other payables (non-current and current)	152,834	63,860	353	91

Trade payables are non-interest bearing and the average credit period on purchases of goods range from 0 to 30 days (2015: 30 to 120 days) according to the terms agreed with the suppliers.

22. Loans and borrowings

	Maturity	Group 2016	Group 2015
		US$'000	US$'000
Current			
Obligations under finance leases (Note 28)	2017	56	–
Bank overdrafts	On demand	12,805	–
Unsecured bank loans	2017	1,596	–
Secured bank loans at EURIBOR 3M/12M + 2/2.5% p.a.	2017	21,710	–
Loan from a related party at EURIBOR + 2% p.a.	On demand	288	–
		36,455	–
Non-current			
Obligations under finance leases (Note 28)	2018 to 2022	24	–
Loan from a related party at EURIBOR + 2% p.a.	2020	5,097	–
Unsecured bank loans at fixed rates between of 0.6% to 2.4%	2021 to 2023	5,172	–
		10,293	–
Total loans and borrowings		46,748	–

The current secured bank loans amounting US$21,710,000 is secured by the trade receivables of the subsidiaries with a total carrying amount of US$25,819,000, and certain items of the subsidiaries' property, plant and equipment. There are no loans and borrowings held by the Company as at the end of 31 December 2015 and 2016.

23. Amounts due to holding company

The amounts due to holding company are non-trade in nature, unsecured, interest-free and are repayable on demand.

24. Provisions

	Group Reinstatement cost	Group Dismantling and restoration cost	Group Other provision	Group Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2016	141	–	–	141
Acquisition of a subsidiary	–	6,408	2,880	9,288
Exchange differences	(1)	–	–	(1)
At 31 December 2016	140	6,408	2,880	9,428

There are no provisions carried by the Company as at the end of 31 December 2015 and 2016.

25. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority.

The above deferred tax liabilities did not include any withholding and other taxes that will be payable on the earnings of associated companies when remitted to the holding company.

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(4,446)	–
Impairment of intangible assets	(76)	–
Fair value adjustments on inventories	(528)	–
Provisions	(5,116)	–
Finance lease	(118)	–
	(10,284)	–
Deferred tax assets:		
Fair value adjustments on investments	203	–
Other items	1,221	–
	1,424	–
Net deferred tax liabilities	(8,860)	–

26. Share capital

	Group and Company			
	Number of share			
	2016	**2015**	**2016**	**2015**
			US$'000	**US$'000**
Authorised at HK$0.001 each	15,000,000,000	15,000,000,000	1,931	1,931
Issued and fully paid ordinary shares at HK$0.001 each				
At beginning of financial year	4,233,185,850	3,527,654,875	545	454
Issuance of subscription shares	–	705,530,975	–	91
At end of financial year	4,233,185,850	4,233,185,850	545	545

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per share at meetings of the Company.

27. Share premium

	Company	
	2016	**2015**
	US$'000	**US$'000**
At beginning of financial year	196,308	18,116
Issuance of subscription shares	–	178,192
At end of financial year	196,308	196,308

28. Commitments

(a) Operating lease commitments

At the end of the financial year, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and other operating facilities as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Future minimum lease payments payable:		
Within one year	10,479	1,068
After one year but within five years	691	1,722
Total	11,170	2,790

The non-cancellable leases on the Group's office premises will expire in approximately 2 years, subject to an option for renewal. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 5 to the financial statements.

There is no operating lease commitment entered into by the Company as at the end of 31 December 2015 and 2016.

28. Commitments (cont'd)

(b) Finance lease commitments

The Group has finance leases for certain equipment items. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group			
	2016		2015	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	US$'000	US$'000	US$'000	US$'000
Within one year	56	56	–	–
After one year but within five years	24	24	–	–
Total minimum lease payments and present value of minimum lease payments	80	80	–	–

29. Contingent liabilities, unsecured

As at 31 December 2016, the Company had given guarantees amounting to US$511,000,000 (2015: US$241,000,000) to certain banks in respect of banking facilities granted to a subsidiary. In addition, the Group has also given guarantees amounting to EUR 9,690,000 (2015: US$Nil) to certain counterparts for a subsidiary.

The Group has evaluated the fair values of guarantees issued, and is of the view that the fair value of the guarantees issued with regards to the subsidiaries is not significant. The subsidiaries for which the guarantees were provided for are also in favourable equity positions and is profitable during the year.

30. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) Physical trading with a related company

	Group	
	2016	2015
	US$'000	US$'000
Sale of goods to related parties	956,580	269,211

30. Significant related party transactions (cont'd)

(b) Key management personnel compensation

	Group	
	2016	**2015**
	US$'000	**US$'000**
Key management personnel		
Salaries and bonuses	1,396	1,578
Employers' contribution to CPF	19	20
Other allowances	88	20
	1,503	1,618

31. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. The Group has three reportable business segments being distribution, wholesale and corporate segments.

Geographically, management manages and monitors the business in these primary geographic areas: Europe, Singapore, Hong Kong and People's Republic of China which are engaged in the trading of petrochemical and petroleum.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

In 2015, the reported business segments are trading of petrochemical products and petroleum products segments. This has been changed to distribution, wholesale and corporate segments this year to reflect the changes in the business strategy of the Group following the acquisition of subsidiaries this year (Note 12).

31. Segment information (cont'd)

(a) Analysis by business segment

2016	Distribution	Wholesale	Corporate	Adjustments and Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:					
External customers	–	999,465	–	–	999,465
Results:					
Segment results	–	5,883	(2,299)	–	3,584
Interest income	–	–	6	–	6
Finance expenses	–	(349)	–	–	(349)
Share of results of joint venture	–	–	42	–	42
		5,534	(2,251)	–	3,283
Tax expense	–	(560)	–	–	(560)
Net profit/(loss) for the year	–	4,974	(2,251)	–	2,723
Segment assets:					
Segment assets	241,056	181,990	194,786	(195,437)	422,395
Investment in associates	9,137	–	–	–	9,137
Investment in joint ventures	11,746	–	26,552	–	38,298
Tax assets	1,712	–	–	–	1,712
Total assets	263,651	181,990	221,338	(195,437)	471,542
Segment liabilities:					
Segment liabilities	216,211	153,200	21,009	(145,009)	245,411
Tax liabilities	8,860	685	–	–	9,545
Total liabilities	225,071	153,885	21,009	(145,009)	254,956
Capital expenditure	–	–	516	–	516
Significant non-cash Items:					
Depreciation and amortisation	–	–	219	–	219

31. Segment information (cont'd)

(a) Analysis by business segment (cont'd)

2015	Distribution	Wholesale	Corporate	Adjustments and Eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue:					
External customers	–	474,471	–	–	474,471
Results:					
Segment results	–	27,432	(5,517)	–	21,915
Interest income	–	–	3	–	3
Finance expenses	–	(81)	–	–	(81)
Share of results of joint venture	–	–	(45)	–	(45)
		27,351	(5,559)	–	21,792
Tax expense	–	(3,847)	–	–	(3,847)
Net profit/(loss) for the year	–	23,504	(5,559)	–	17,945
Segment assets:					
Segment assets	–	222,274	174,815	(152,379)	244,710
Investment in joint ventures	–	–	26,575	–	26,575
Total assets	–	222,274	201,390	(152,379)	271,285
Segment liabilities:					
Segment liabilities	–	193,716	190	(124,220)	69,686
Tax liabilities	–	4,047	–	–	4,047
Total liabilities	–	197,763	190	(124,220)	73,733
Capital expenditure	–	–	345	–	345
Significant non-cash Items:					
Depreciation and amortisation	–	–	116	–	116

31. Segment information (cont'd)

(b) Analysis by geographical segment

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Europe	183,319	35,296	62,320	–
Hong Kong	773,723	303,769	4,358	–
People's Republic of China	–	52,217	26,552	26,575
Singapore	24,002	83,189	617	352
Others	18,421	–	–	–
	999,465	474,471	93,847	26,927

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the statements of financial position.

32. Financial instruments and financial risks

The Group's activities expose it to credit risks, risks of product price changes, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors. The AC provides independent oversight to the effectiveness of the risk management process.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(a) ***Credit risks***

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, including credit insurance where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group's major classes of financial assets are bank deposits and trade receivables. The Group's and Company's bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. The Group's major trade debtor is a related company, and whose trade receivables are neither past due nor impaired. This related company also has a good collection track record with the Group.

32. Financial instruments and financial risks (cont'd)

(a) ***Credit risks (cont'd)***

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Not past due	284,855	147,704
Past due less than 90 days	1,493	49,988
Past due more than 90 days	404	–
	286,752	197,692

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

	Group	
	2016	**2015**
	US$'000	**US$'000**
At 1 January	–	–
Acquisition of a subsidiary	3,980	–
At 31 December	3,980	–

Based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of the Group's outstanding receivables. These receivables are mainly with customers that have a good payment record with the Group.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
By country:		
Hong Kong	151,641	197,692
France	116,656	–
Spain	18,465	–
	286,752	197,692
By segments:		
Distribution	135,111	–
Wholesales	151,641	197,692
	286,752	197,692

32. Financial instruments and financial risks (cont'd)

(a) ***Credit risks (cont'd)***

Information about a major customer

At the end of the reporting date, approximately 53% (2015: 96%) of the Group's trade receivables were due from a major wholesale customer, and which is also a related company.

The financial assets are not secured against any collaterals or credit enhancements.

(b) ***Risk of product price changes***

Petrochemical and petroleum products are subject to significant price fluctuations. The Group control the price risks within clear delegations of authority. The referred price risks relate to sale and purchase of petrochemical and petroleum products. At the end of the financial year, the Group is exposed to product price risk arising from its trading inventories and oil commodity derivatives. An increase/(decrease) of 5% in petrochemical and petroleum price at the reporting date would have increased/(decreased) the Group's profit or loss before tax by US$870,000 (2015: US$Nil), assuming all other variables remain constant.

(c) ***Market risks***

(i) Foreign currency risks

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group has transactional currency exposures arising from its exposures in a currency other than the respective functional currencies of the Group entities, which are primarily the United States Dollars ("USD") for the Group's entities with operations carried out of Singapore and Euro dollar ("EUR") for the Group's entities with operations carried out of Europe.

The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

32. **Financial instruments and financial risks (cont'd)**

(c) ***Market risks (cont'd)***

(i) Foreign currency risks (cont'd)

The Group's currency exposures to SGD (arising from the Group entities with operations carried out of Singapore) and EUR (arising from Group entities with operations carried out of Europe) at the reporting date are as follows:

Group	2016		2015	
	SGD	EUR	SGD	EUR
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Trade and other receivables (excluding prepayments)	310	134,174	304	–
Cash and cash equivalents	669	3,447	1,789	–
Amounts due from related parties	–	4,604	–	–
	979	142,225	2,093	–
Financial liabilities				
Trade and other payables (excluding provisions)	(295)	(130,075)	(331)	–
Loans and borrowings	–	(43,944)	–	–
Derivative financial liabilities	–	(1,389)	–	
Amounts due to related parties	–	(10,327)	–	–
	(295)	(185,735)	(331)	–
Currency exposure on net financial assets/(liabilities)	684	(43,510)	1,762	–

The Company also has a number of investments in foreign operations, whose net assets are exposed to foreign exchange translation risk.

Company	2016	2015
	SGD	SGD
	US$'000	US$'000
Financial assets		
Amounts due from subsidiaries	3,738	3,771
Cash and cash equivalents	284	105
	4,022	3,876
Financial liabilities		
Other payables (excluding provisions)	353	91
	353	91
Currency exposure on net financial assets	3,669	3,785

32. Financial instruments and financial risks (cont'd)

(c) ***Market risks (cont'd)***

(i) Foreign currency risks (cont'd)

Foreign currency sensitivity analysis

The following demonstrates the sensitivity of the Group's and Company's profit before tax and other comprehensive income to a 5% change in SGD and EUR against USD, with all other variables held constant. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis is performed on the same basis for 2015, as indicated below:

	Group			
	Profit/(loss) before taxation		**Other comprehensive income**	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
+5% increase in SGD against USD	34	88	–	–
+5% increase in EUR against USD	(271)	–	(1,904)	–

	Company			
	Profit before taxation		**Other comprehensive income**	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
+5% increase in SGD against USD	183	189	–	–

A 5% weakening of the SGD and EUR against USD would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) *Interest rate risks*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group is not significantly exposed to interest rate risk as it has no significant interest-earning financial assets and no significant interest-bearing financial liabilities.

32. Financial instruments and financial risks (cont'd)

(c) ***Market risks (cont'd)***

(ii) *Interest rate risks (cont'd)*

At the reporting date, the interest rate profile of the Group's and Company's interest-bearing financial instruments as reported to the management, was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Fixed rate instruments				
Financial assets	609	–	–	–
Financial liabilities	(19,573)	–	–	–
	(18,964)	–	–	–
Variable rate instruments				
Financial assets	35,837	43,606	490	22,411
Financial liabilities	(27,095)	–	–	–
	8,742	43,606	490	22,411

Fair value sensitivity analysis for variable rate instruments

An increase/(decrease) of 100 bp in interest rate at the reporting date would have increased/(decreased) the Group and the Company's profit before tax by approximately US$87,420 (2015: US$436,060) and US$4,900 (2015: US$224,110) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(d) ***Liquidity risks***

Liquidity risk refers to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors their liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's operations are financed mainly through equity. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

32. Financial instruments and financial risks (cont'd)

(d) ***Liquidity risks (cont'd)***

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company is expected to receive or pay.

Group	**On demand**	**1 year or less**	**1 to 5 years**	**Over 5 years**
2016	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Amount due from related parties	–	4,604	–	–
Trade receivables and other assets (excluding prepayments)	–	292,519	284	–
Cash and cash equivalents	–	36,446	–	–
	–	333,569	284	–
Financial liabilities				
Amounts due to holding company	4,185	–	–	–
Amounts due to related companies	25,920	1,828	3,079	–
Trade and other payables (excluding provisions)	–	151,992	–	842
Loans and borrowings	13,093	23,493	10,509	5
	43,198	177,313	13,588	847
Total net undiscounted financial assets/ (liabilities)	(43,198)	156,256	(13,304)	(847)
2015				
Financial assets				
Trade and other receivables (excluding prepayments)	–	200,641	–	–
Cash and cash equivalents	–	43,606	–	–
	–	244,247	–	–
Financial liabilities				
Amounts due to holding company	5,685	–	–	–
Trade and other payables (excluding provisions)	–	63,569	–	–
	5,685	63,569	–	–
Total net undiscounted financial assets/ (liabilities)	(5,685)	180,678	–	–

32. Financial instruments and financial risks (cont'd)

(d) ***Liquidity risks (cont'd)***

Company	**On demand**	**1 year or less**	**1 to 5 years**	**Over 5 years**
2016	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Amounts due from subsidiaries	144,137	–	–	–
Cash and cash equivalents	–	490	–	–
	144,137	490	–	–
Financial liabilities				
Amounts due to related companies	20,500	–	–	–
Trade payables and other payables (excluding provisions)	–	353	–	–
	20,500	353	–	–
Total net undiscounted financial assets	123,637	137	–	–
2015				
Financial assets				
Amount due from subsidiaries	124,220	–	–	–
Cash and cash equivalents	–	22,411	–	–
	124,220	22,411	–	–
Financial liabilities				
Trade and other payables (excluding provisions)	–	91	–	–
	–	91	–	–
Total net undiscounted financial assets	124,220	22,320	–	–

32. Financial instruments and financial risks (cont'd)

(d) ***Liquidity risks (cont'd)***

The table below shows the contractual expiry by maturity of the Group and the Company's contingent liabilities and derivatives.

Group	**1 year or less**	**No specific maturity**
2016	**US$'000**	**US$'000**
Financial guarantees (Note 29)	–	521,298
Financial derivatives:		
Net inflow	(461)	–
Net outflow	1,389	–
Total	928	521,298
2015		
Financial guarantees (Note 29)	–	241,000
Total	–	241,000

Company	**1 year or less**	**No specific maturity**
2016	**US$'000**	**US$'000**
Financial guarantees (Note 29)	–	511,000
Total	–	511,000
2015		
Financial guarantees (Note 29)	–	241,000
Total	–	241,000

32. Financial instruments and financial risks (cont'd)

(e) ***Offsetting financial assets and financial liabilities***

Trade receivables subject to offsetting arrangements

The Group regularly transacts with certain counterparties with enforceable master netting arrangement and where these counterparties have an arrangement with the Group to settle the net amount due to or from each other.

The Group's trade receivables and trade payables that are off-set as at the end of 31 December 2015 are as follows:

Description	Gross carrying amounts	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position
2015	**US$'000**	**US$'000**	**US$'000**
Trade receivables	9,034,858	(3,047,886)	5,986,972
Trade payables	4,731,230	(3,047,886)	1,683,344

There is no trade receivable or trade payable as at the end of 31 December 2016 that can be off-set.

(f) ***Financial instruments by category***

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Loan and receivables	333,853	244,247	144,627	146,631
Financial assets, at fair value through profit or loss	(928)	–	–	–
Financial assets, available-for-sale	4	–	–	–
Financial liabilities at amortised cost	(234,594)	(68,682)	(20,853)	(91)

33. Fair value of financial instruments

(a) ***Fair value hierarchy***

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

Fair value measurement that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

33. Fair value of financial instruments (cont'd)

(b) ***Assets and liabilities measurement at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period.

Recurring fair value measurement	**Quoted price in active market on identical instruments (Level 1)**	**Significant observable input other than quoted price (Level 2)**	**Significant unobservable input (Level 3)**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
2016				
Assets				
Derivative financial assets	–	461	–	461
Derivative financial liabilities	–	(1,389)	–	(1,389)

There are no financial assets or liabilities held at fair value as at the end of 2015.

Level 2 fair value measurement

The fair value of financial instruments that are not traded in an active market (e.g. physical oil trading derivative contracts) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period.

Fair value measurement that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are reasonable approximation of fair value

The carrying amounts of these financial assets and liabilities, *cash and cash equivalents, trade receivables, other assets (excluding prepayments), amounts due from subsidiaries, amounts due from/(to) related companies, amounts due to holding company, other payables (excluding provisions and advance collection and loans and non-current fixed rate bank loans)* are reasonable approximation of fair values, due to their short-term nature or that they are re-priced to market interest rates, on or near the end of the reporting period.

The determination of the fair value of the non-current fixed rate bank loans are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The fair value of the non-current fixed rate bank loans at the end of the reporting period approximates US$5,119,000 (2015: US$Nil) and are considered to be level 3 liabilities under the fair value hierarchy.

Fair value information has not been disclosed for the Group's investments in AFS securities that are carried at cost because fair value cannot be measured reliably and the carrying amount of the investments is not material. The Group does not intend to dispose of these investments in the foreseeable future.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The Group manages its capital to ensure that the Group is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group is dependent on the holding company on financial management as the Group's and the Company's borrowings are mainly taken from the holding company.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued capital, premium and reserves as disclosed in Notes 26, 27 and the statements of changes in equity.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group and the Company are not subject to any externally imposed capital requirements during the financial years ended 31 December 2015 and 2016.

	Group	
	2016	**2015**
	US$'000	**US$'000**
Amounts due to holding company (Note 23)	4,185	5,685
Amounts due to related companies (Note 19)	30,827	–
Trade and other payables (Note 21)	151,992	63,860
Derivatives financial liabilities (Note 17)	1,389	–
Loans and borrowings (Note 22)	46,748	–
Less: Cash and cash equivalents (Note 20)	(36,446)	(43,606)
Net debt	198,695	25,939
Total capital	200,275	197,552
Total capital and net debt	398,970	223,491

35. Authorisation of financial statements

The consolidated financial statements of the Group, and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on 17 March 2017.

STATISTICS OF SHAREHOLDINGS

As at 14 March 2017

Class of Shares	-	Ordinary shares of HK$0.001 each
Authorised Share Capital	-	HK$15,000,000
Issued and Fully Paid-up Capital	-	HK$4,233,186
Voting Rights	-	One Vote per share
Treasury Shares	-	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	7	0.86	247	0.00
100 - 1,000	73	8.92	68,292	0.00
1,001 - 10,000	255	31.17	1,948,300	0.05
10,001 - 1,000,000	453	55.38	32,724,500	0.77
1,000,001 AND ABOVE	30	3.67	4,198,444,511	99.18
TOTAL	**818**	**100.00**	**4,233,185,850**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ANAN GROUP (SINGAPORE) PTE. LTD.	2,701,614,695	63.82
2	NORTHERN INTERNATIONAL CAPITAL HOLDINGS (HK) LIMITED	352,765,487	8.33
3	RAFFLES NOMINEES (PTE) LIMITED	184,119,100	4.35
4	HONG KONG GREAT WALL ECONOMIC COOPERATION CENTRE LIMITED	176,382,744	4.17
5	HUANGHE EXPLORATION & TECHNOLOGY (GROUP) LIMITED	176,382,744	4.17
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	116,762,300	2.76
7	OCBC SECURITIES PRIVATE LIMITED	85,703,498	2.02
8	CITIBANK NOMINEES SINGAPORE PTE LTD	79,236,000	1.87
9	PHILLIP SECURITIES PTE LTD	68,846,400	1.63
10	DBSN SERVICES PTE. LTD.	68,473,745	1.62
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	36,000,000	0.85
12	LUAN WENBO	30,700,000	0.73
13	UOB KAY HIAN PRIVATE LIMITED	30,108,111	0.71
14	ABN AMRO CLEARING BANK N.V.	24,516,200	0.58
15	KGI SECURITIES (SINGAPORE) PTE. LTD.	17,033,600	0.40
16	LIM & TAN SECURITIES PTE LTD	10,196,200	0.24
17	DBS NOMINEES (PRIVATE) LIMITED	5,885,700	0.14
18	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,184,387	0.10
19	CHEAH HONG TOY	3,893,000	0.09
20	LEI QIUJU	3,240,600	0.08
	TOTAL	**4,176,044,511**	**98.66**

STATISTICS OF SHAREHOLDINGS

As at 14 March 2017

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	AnAn Group (Singapore) Pte. Ltd. (formerly known as Singapore Petrochemical & Energy Development Pte. Ltd.)	2,701,614,695	63.82	–	–
2.	Ye Jianming[(1)]	–	–	2,701,614,695	63.82
3.	Zhong Ye Equity Investment Fund Limited[(1)]	–	–	2,701,614,695	63.82
4.	Zang Jian Jun[(2)]	–	–	2,701,614,695	63.82
5.	Northern International Capital Holdings (HK) Limited	352,765,487	8.33	–	–
6.	Shanghai Tongtian Investment Holding Co., Ltd.[(3)]	–	–	352,765,487	8.33
7.	Liu Wei[(3)]	–	–	352,765,487	8.33

Notes:

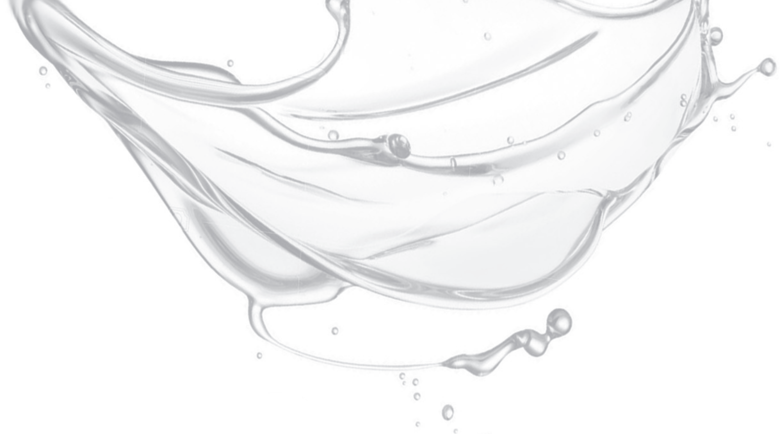
(1) Mr. Ye Jianming ("**Mr. Ye**") and Zhong Ye Equity Investment Fund Limited ("**Zhong Ye**") are the shareholders of AnAn Group (Singapore) Pte. Ltd. ("**AnAn Group**"). As at 14 March 2017, Mr. Ye held 50.01% and Zhong Ye held 49.99% of the shares in AnAn Group. Accordingly, Mr. Ye and Zhong Ye are deemed to be interested in the shares of the Company held by AnAn Group.

(2) Mr. Zang Jian Jun ("**Mr. Zang**") is the 100% shareholder of Zhong Ye. Accordingly, Mr Zang is deemed to be interested in the shares of the Company held by Zhong Ye.

(3) Mr. Liu Wei owns 98% of the equity interest in Shanghai Tongtian Investment Holding Co., Ltd., which in turn owns 98% of the shares in Northern International Capital Holdings (HK) Limited. Accordingly, Mr. Liu Wei and Shanghai Tongtian Investment Holding Co., Ltd. are deemed to be interested in the shares of the Company held by Northern International Capital Holdings (HK) Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 14 March 2017, 27.85% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of CEFC International Limited (the "**Company**") will be held at 168 Robinson Road, FTSE Room Level 9, Capital Tower, Singapore 068912 on Monday, 24 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and the Directors' Statement of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Bye-law 85(6) and Bye-law 86(1) of the Company's Bye-laws:

Mr. Zhao Guang Ming	(Retiring pursuant to Bye-law 85(6))	**(Resolution 2)**
Mr. Zang Jian Jun	(Retiring pursuant to Bye-law 86(1))	**(Resolution 3)**
Mr. Liu Zhong Qiu	(Retiring pursuant to Bye-law 86(1))	**(Resolution 4)**
Mr. Toh Hock Ghim	(Retiring pursuant to Bye-law 86(1))	**(Resolution 5)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$300,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (2016: S$300,000) **(Resolution 6)**

4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may properly transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares in the capital of the Company pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That:

(a) pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

(b) (notwithstanding that the authority conferred by paragraph (a) of this Resolution may have ceased to be in force) the Directors be authorised to issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be offered other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (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 (i) above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Memorandum of Association and the Bye-laws for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue to be 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 the earlier.

[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Zang Jian Jun
Executive Chairman

Singapore, 7 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Toh Hock Ghim will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee, Remuneration Committee and Risk Management Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 8, if passed, will empower the Directors to issue Shares (as defined above) and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to this Resolution 8 (including shares to be issued in pursuance of instruments made or granted) shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company, with a sub-limit of 20% for Shares issued other than on a pro rata basis (including Shares to be issued in pursuance of instruments made or granted pursuant to this Resolution 8) to shareholders. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution 8, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities; (b) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution 8, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. Any person who holds Shares through The Central Depository (Pte) Limited and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore) shall be referred herein as the "**Depositor**".

2. For a Depositor who is a corporation and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the AGM, if it wishes to attend and vote at the AGM, such Depositor must nominate a proxy or two proxies to attend and vote at the AGM for and on its behalf by completing the Depositor Proxy Form (in accordance with the instructions thereto) and depositing the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the AGM. Each proxy appointed must be natural person but need not be a member of the Company.

3. For a Depositor who is a natural person and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the AGM, he need not complete and submit the Depositor Proxy Form if he is attending the AGM in person. However, if he is unable to attend the AGM in person but wishes to be represented at the AGM, he must complete the Depositor Proxy Form (in accordance with the instructions thereto) and deposit the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the AGM. Each proxy appointed must be natural person but need not be a member of the Company.

4. If a Shareholder (who or which holds Shares in his/its own name) wishes to appoint a proxy/proxies, then the Shareholder Proxy Form must be completed (in accordance with the instructions thereto) and deposited at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the AGM.

5. The Company shall be entitled to reject any Depositor Proxy Form or Shareholder Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Depositor Proxy Form or Shareholder Proxy Form, as the case may be. In addition, in the case of shares entered into the Depository Register, the Company may reject a Depositor Proxy Form if the Depositor (being the appointor) is not shown to have Shares entered against his/its name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) 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, proxy 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.

CEFC International Limited

1 Raffles Place
#11-61 One Raffles Place, Tower 2
Singapore 048616
Tel: (65) 6222 2298
Fax: (65) 6222 2021

cre8
Tel: (65) 63278398