



AnAn International Limited



FUELLING UP OUR MOMENTUM FOR GROWTH

Annual Report 2017

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2017 - FUELLING UP OUR MOMENTUM FOR GROWTH

AnAn International Limited (“AnAn International” or the “Company”) is a company listed on the Main Board of the Singapore Exchange (stock code: Y35).

AnAn International is primarily engaged in the trading of petrochemical, fuel oil, and petroleum products. AnAn International fully capitalizes on Singapore’s prominent advantages in its geographical location and market mechanism in international shipping, financial services, market trading and so forth to construct a Singapore-centered global trading system with support from the Chinese market and a solid foothold in Asia-Pacific economic circle. The Company integrates midstream and downstream resources in the oil and petrochemical industries to undertake commodity trading and diverse investment cooperation with the world’s major energy and raw material producing regions to establish a comprehensive energy trading system and industry value chain. Meanwhile, the Company strives to integrate the midstream and downstream assets of the oil and gas industry, gradually establishing a complete industrial chain.

AnAn International has entered into strategic partnership with a number of world-renowned energy enterprises, boasts of a professional team as well as a complete and stable trading system across the supply chain. With energy trading as its primary business and together with its involvement in the financial services and investment in the energy industry, the Company strives to grow into a vertically integrated energy company with global presence and strong competitive advantage.

JOINT CHAIRMAN-CEO STATEMENT

Dear Valued Shareholders,

We are presenting this statement to you at a challenging time for AnAn International Limited ("AnAn International" or "the Group").

In 2017, we made encouraging progress in our trading and investment businesses. We established a new management team with deep knowledge and expertise in financial services. Business segments, especially the distribution business at Dyneff, performed well and delivered strong revenue.

However, it was brought to our attention through media publicity that our major business partner ran into trouble, which caused difficulties when we tried to recoup some account receivables. Our wholesale trading business and financials were affected, and our shareholders' confidence is shaken. It's our objective to provide you with a comprehensive and unbiased update on the Group's operations and management's plan on dealing with the complications, for our shareholders to make informed investment decisions.

Operational and Financial Review

In 2017, the Group continued to bring forth organic growth through strengthening its trading capability, and our gross margin improved.

In late 2016, the Group completed the acquisition of the 51% stake in Dyneff. Dyneff distributes motor fuels, biofuels and other products in France and Spain through over 100 petrol stations, a network of commercial agencies and two wholesale agencies. The acquisition gave us a foothold in Europe's mid to downstream oil and gas industry assets, as well as the logistics and storage business. The larger scale of business operations will enhance the Group's market position and open doors to more business and investment opportunities. Financially, Dyneff's contribution was encouraging and in line with our expectations in 2017.

Overall, with the organic growth in wholesale and acquisition of distribution business, the Group's revenue increased by 130% from US\$999.5 million in 2016 to US\$2.3 billion in 2017. Total gross profit was US\$68.0 million in 2017, an increase of 459% compared to US\$12.2 million for 2016. Distribution segment and Wholesale segment contributed 62% and 38% to the Group's gross profit respectively, and Group's gross margin increased from 1.22% in 2016 to 2.96% in 2017 primarily supported by the higher profit margin of the distribution business.

However, over the past few months, we noticed a delay in payment from a major trading partner of Singapore AnAn Petrochemical & Energy Pte. Ltd., (a wholly owned subsidiary of AnAn International), Shanghai Huaxin Group (Hong Kong) Limited ("CEFC HK"), and the overall amount of the account receivables in question was approximately US\$125 million. All trading activities with this partner were ceased as soon as we identified the issue. The Group is taking and exploring further necessary actions to recover the receivables, and to safeguard the Group's interest. We recognize that the situation is critical, and out of prudence, we have fully provided for all related trade receivables, which resulted in a net loss of US\$109.9 million for financial year 2017.

During the year, we made another step to diversify our business to other strategic areas such as factoring through our wholly-owned subsidiary, Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd. ("Dajiang"). Dajiang has participated in investment projects in China, entered into joint ventures with strong partners to conduct businesses in import and export factoring, onshore and offshore factoring, and consultancy services in relation to commercial factoring etc. These businesses will provide the Group with additional income sources, and the partnerships could lead to further business opportunities.

Looking Forward

Despite the complications caused by the major trading partner, the Group's other businesses, such as the distribution business, are still running as usual. The Group is conducting a thorough review on the situation, and we are working to revamp the overall business strategy and structure for it to reflect our current functioning, profit generating businesses, with the possible addition of other businesses. Internally, until new revenue and income sources are identified, we have instated a broad-scale cost rationalisation plan. This includes reducing the number of staff and salary in the wholesale segment, and sourcing alternative offices to save rental cost.

Seek Your Understanding

We are going through a very difficult period. While many factors are beyond our control, we will remain diligent, prudent and pragmatic, seeking to minimize the losses arising from the receivables, while prospecting other strategic options. We will keep shareholders updated on all our major developments. The silver lining is that the moderate economic growth globally, especially in Europe, would continue in 2018ⁱ, providing favourable market conditions for Dyneff's distribution business.

On behalf of the Board of Directors, we would like to seek our shareholders' understanding in the current situation, and seek your continued support in the management and the Group. We hope to provide you with a satisfactory solution in the soonest possible time, preserve shareholders' value as best as we can, and lead AnAn International to the next phase of growth once the dust has settled.

Zang Jian Jun
Executive Chairman

Zhao Guang Ming
Chief Executive Officer

ⁱ https://www.pimco.com.sg/en-sg/insights/economic-and-market-commentary/cyclical-outlook/peak-growth/?gclid=cjwkcajwokdxbraaeiwa4xnqv_jriezsiuhjeypvrccs-dmvdjgspnm3q6v83-gjpgnf7exsfatwhockxaqavd_bwe&gclsrc=aw.ds&

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. Ooi Hoe Seong

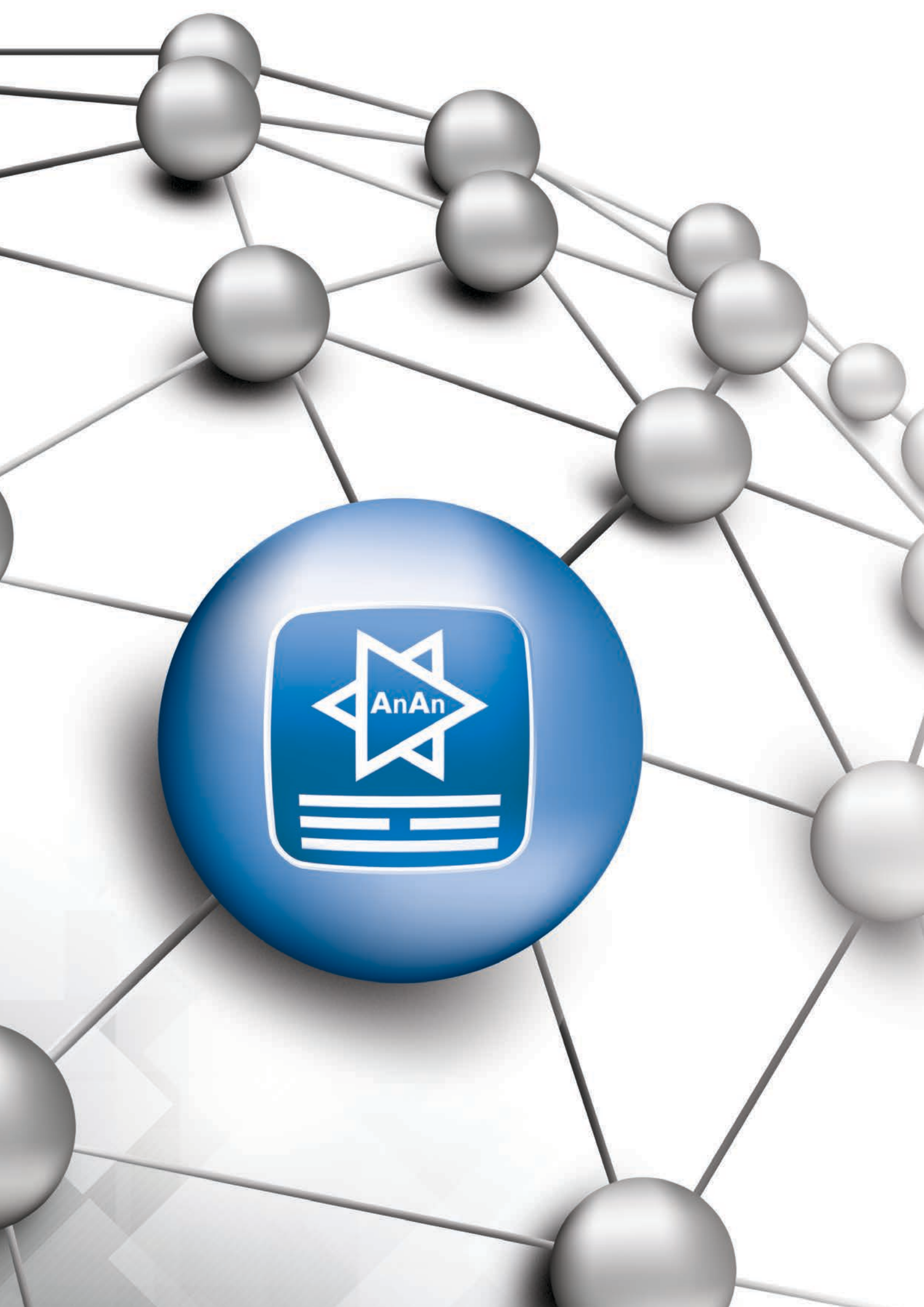
Mr. Ooi Hoe Seong was appointed to the Board as Lead Independent Director on 30 December 2011 and serves as Chairman of Audit Committee, Chairman of Risk Management Committee and a member of Nominating Committee and Remuneration Committee. He has over 25 years of management, corporate finance and wealth 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 DiSa 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. 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 (ACS)

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

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SINGAPORE SHARE TRANSFER AGENT

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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 (“**Board**”) and the Management (“**Management**”) of AnAn International Limited (formerly known as CEFC International Limited) (“**Company**”, and together with its subsidiaries, “**Group**”) 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 (“**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 2017 to 31 December 2017 (“**FY2017**”). 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 (“**AC**”), the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Risk Management Committee (“**RMC**”) (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;

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- (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 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 hold 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 FY2017 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 Board.

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.

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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 FY2017 ⁽¹⁾

The number of meetings held by the Board and Board Committees and attendance during FY2017 are as follows:

	Board ⁽²⁾		Audit Committee ⁽²⁾		Nominating Committee ⁽³⁾		Remuneration Committee ⁽³⁾		Risk Management Committee ⁽⁴⁾	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting		No. of meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Zang Jian Jun	4	3	–	–	–	–	–	–	–	–
Zhao Guang Ming ⁽⁵⁾	4	4	4	1 ⁽⁹⁾	–	–	–	–	–	–
Liu Zhong Qiu ⁽⁶⁾	4	3	–	–	–	–	–	–	–	–
Ooi Hoe Seong	4	4	4	4	1	1	1	1	–	–
Toh Hock Ghim	4	4	4	4	1	1	1	1	–	–
Ling Chi	4	4	4	4	1	1	1	1	–	–
Ye Bin Lin ⁽⁷⁾	4	1	4	1 ⁽⁹⁾	–	–	–	–	–	–
Lu Da Chuan ⁽⁸⁾	4	0	–	–	–	–	–	–	–	–

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 AC 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 AC's consideration and the Board, the AC and the Management also contacted each other on an informal basis to discuss these matters. Pursuant to their review, the Board and the AC 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 NC and the RC. The members of each of the NC and the RC 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 NC and the RC 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**"), if any, would be circulated via email to the RMC. The members of the RMC contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. The RMC may pass resolutions in writing to approve RMC Matters during FY2017, if any
- ⁽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 Liu Zhong Qiu resigned from the Board with effect from 11 August 2017. Details of his resignation were contained in an announcement released via SGXNet on 11 August 2017.

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⁽⁷⁾ Mr Ye Bin Lin was appointed to the Board with effect from 11 August 2017. He had resigned from the Board with effect from 30 April 2018. Details of his appointment and resignation were contained in an announcement released via SGXNet on 11 August 2017 and 30 April 2018 respectively.

⁽⁸⁾ Mr Lu Da Chuan had 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.

⁽⁹⁾ By invitation.

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 AC 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 and 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.

The Company had arranged training for the newly appointed Director during FY2017 which includes the following:

- (a) The duties and responsibilities of Director;
- (b) Interested Person Transactions;
- (c) The Code;
- (d) Continuing listing and disclosure obligations under the Listing Rules of the SGX-ST; and
- (e) Acquisition and disposal of assets.

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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 AC 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 and Executive Chairman	4 January 2012
Zhao Guang Ming	Executive Director and Chief Executive Officer	28 February 2017
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.

There is presently a strong and independent element on the Board. The Company is in compliance with the Guideline 2.2 of the Code where Independent Directors make up half of the Board.

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 and Mr Ye Bin Lin was appointed to the Board on 28 February 2017 and 11 August 2017 respectively and when appointing new Director, the Board and the NC took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing their curriculum vitae and declaration forms, the Board and the NC 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 NC 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 NC 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.

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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 NC reviews the independence of each of the Independent Directors annually. As part of their review process, the NC 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 NC 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 NC 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 NC has reviewed the size and composition of the Board. The NC 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 NC 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 NC, 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 NC 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;

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- (c) the Board should have enough directors to serve on various committees of the Board without overburdening 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 AC.

Each of the Executive Chairman's and Chief Executive Officer's performance and appointment to the Board are also reviewed periodically by the NC while their remuneration packages are reviewed periodically by the RC. 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 NC is chaired by Mr Toh Hock Ghim and its members include Mr Ooi Hoe Seong and Ms Ling Chi.

The primary functions of the NC 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;

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- (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 NC 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 NC 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 NC 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	–	En+ Group PLC
Ooi Hoe Seong	–	–
Toh Hock Ghim	AGV Group Limited Disa Limited (formerly known as Equation Summit Limited) FDG Kinetic Ltd (formerly known as CIAM Group Ltd) Fourth-Link Inc.	Lifebrandz Ltd.
Ling Chi	–	–

For the financial year under review, the NC 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 4 to 5. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the NC 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 NC.

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 NC 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 FY2017, 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.

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For FY2017, the NC 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 NC 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 NC 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 NC 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 NC 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 NC 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 NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The NC 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 FY2017, the NC reviewed the resignations and the appointments of Directors to the Company.

Re-election of Directors

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

Name of Director	Age	Date of Initial Appointment
Zang Jian Jun	43	4 January 2012
Zhao Guang Ming	43	28 February 2017
Ooi Hoe Seong	67	30 December 2011
Toh Hock Ghim	76	30 December 2011
Ling Chi	77	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. Ooi Hoe Seong 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.

The NC has recommended to the Board that Mr. Ooi Hoe Seong, be nominated for re-election at the forthcoming Annual General Meeting. The Board has accepted the NC's recommendations.

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Mr. Ooi Hoe Seong, being the member of the NC, had abstained from voting on the resolution in respect of his re-appointment as a Director.

The Board has delegated to the NC 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 NC 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 NC 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 NC 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 NC also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting as well as the effectiveness of its Board Committees.

Based on the NC's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board during FY2017. No external facilitator was used in the evaluation process.

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.

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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 RC 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 RC if they are found to be suitable after a review by the existing Board and NC.

The responsibilities of the RC 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 RC 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.

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The RC 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 RC 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 RC 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 RC 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 RC 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 RC 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 RC 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 RC 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.

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.

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Details of remuneration in bands of S\$250,000 paid to the Directors for the FY2017 are set out below:

Remuneration Band and Name of Directors	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Above S\$250,000 but below S\$500,000					
Zhao Guang Ming ⁽³⁾	14	79	7	–	100
Liu Zhong Qiu ⁽²⁾	15	73	12	–	100
Below S\$250,000					
Zang Jian Jun	100	–	–	–	100
Lu Da Chuan ⁽¹⁾	10	56	32	2	100
Ooi Hoe Seong	100	–	–	–	100
Toh Hock Ghim	100	–	–	–	100
Ling Chi	100	–	–	–	100
Ye Bin Lin ⁽⁴⁾	19	60	12	9	100

Notes:

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

⁽²⁾ Mr Liu Zhong Qiu resigned from the Board with effect from 11 August 2017.

⁽³⁾ Mr Zhao Guang Ming was appointed to the Board with effect from 28 February 2017.

⁽⁴⁾ Mr Ye Bin Lin was appointed to the Board with effect from 11 August 2017. He has resigned from the Board with effect from 30 April 2018. Mr Ye Bin Lin was appointed as the Chief Financial Officer with effect from 1 January 2017. He has resigned as the Chief Financial Officer with effect from 30 April 2018.

Details of remuneration paid to the key management personnel (who are not Directors or the Chief Executive Officer), for the FY2017 are set out below:

Remuneration Band and Name of Key Management Personnel	Fees (%)	Salary (%)	Bonus (%)	Others (%)	Total (%)
Below S\$250,000					
Ye Bin Lin ⁽¹⁾	–	96	–	4	100

Note:

⁽¹⁾ This remuneration is for the period from 1 January 2017 to 10 August 2017 as Mr Ye Bin Lin was appointed as the Executive Director with effect from 11 August 2017. His remuneration as the Executive Director and Chief Financial Officer had been disclosed in the table for the remuneration of Directors above.

Due to the size of the Company, the Company did not have any other key management personnel in FY2017 save for Mr Zang Jian Jun, Mr Zhao Guang Ming, Mr Liu Zhong Qiu, Mr Lu Da Chuan and Mr Ye Bin Lin. The details of remuneration paid to these key management personnel for their services are set out above in bands of S\$250,000.

For FY2017 the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the Chief Executive Officer) amounted to S\$131,260.00.

For FY2017, 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 management personnel 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 FY2017.

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(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 a 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 RMC 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 AC 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 AC 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.

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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 FY2017, and the various management controls put in place, the Board, with the concurrence of the AC, 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 FY2017 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 AC is chaired by Mr Ooi Hoe Seong and its members include Mr Toh Hock Ghim and Ms Ling Chi. All members of the AC 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 AC, 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 AC if they are found to be suitable after a review by the existing Board and NC.

All AC members, including the AC 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 AC.

The AC 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 AC is kept updated annually or from time to time by the external auditors.

The AC 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 AC 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;

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- (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 AC to the Board with such recommendations as the AC 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 AC 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 AC 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 ACRA and it was in charge of auditing the Company and all its subsidiaries except for those which audit is not required in FY2017.

The AC 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 AC and the Board were satisfied that Rules 712 and Rule 715 together 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 AC meets with the external auditors and the internal auditors without the presence of the Management. In addition, the AC 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 AC 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 FY2017 amounted to S\$654,000 and S\$178,000 respectively.

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

For FY2017, the AC has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and effectiveness of the same. The AC 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 AC 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.

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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.

The Company has set up its own internal audit department (“**Internal Auditors**”) with effect from 1 January 2017. The Internal Auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC. Procedures are in place for the Internal Auditors to report independently their findings and recommendations to the AC for review. The AC reviews and approves the hiring, removal, evaluation and compensation of the internal audit function to which the said function is outsourced, if any.

The AC 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 AC 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 AC.

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

The AC 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 AC 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 AC. In particular, high risk matters are highlighted to the AC 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 AC and the Management that the Group’s risk management, controls and governance processes are adequate and effective.

(D) SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

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.

CORPORATE GOVERNANCE REPORT

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. Shareholders are also informed on the voting procedures at 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 meetings 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://ananinternational.com/> 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 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 FY2017 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.

CORPORATE GOVERNANCE REPORT

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 or her representative 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 FY2017.

CORPORATE GOVERNANCE REPORT

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC 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 AC 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.

(H) 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 AC.

The RMC was established on 30 November 2015 to assist the Board in the governance of risk. In particular, the RMC 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 AnAn 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 2017.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of 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 Guangming
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 following director, who held office at the end of the financial year, had an interest in shares of the Company and related corporations as stated below:

Name of director	Deemed interest	
	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company		
Zang Jian Jun	2,701,614,695	2,701,614,695

The directors' interests as at 21 January 2018 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2017.

Except as disclosed in this statement, 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 2018.

DIRECTORS' STATEMENT

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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) Reviewed the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
- (h) Reviewed interested person transactions in accordance with SGX listing rules;
- (i) Recommended to the Board of Directors the nomination of external auditor, and approved the compensation to the external auditor; and
- (j) Reported actions and minutes of the AC to the Board of Directors with any recommendations as the AC deems appropriate.

DIRECTORS' STATEMENT

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
Director

Zhao Guangming
Director

Singapore
28 May 2018

INDEPENDENT AUDITOR'S REPORT

to the Members of AnAn International Limited

Report on the audit of the financial statements

Qualified Opinion

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

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

Basis for Qualified Opinion

Recoverability of Group's trade receivables from a related party

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

Recoverability of amounts due from subsidiary

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT

to the Members of AnAn International Limited

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the matters as described in the Basis for Qualified Opinion section above, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Accounting for business combination

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

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

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

Impairment assessment of goodwill

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

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

INDEPENDENT AUDITOR'S REPORT

to the Members of AnAn International Limited

Key audit matters (cont'd)

Impairment assessment of goodwill (cont'd)

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

to the Members of AnAn International Limited

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the provisions of the Singapore Companies Act, Chapter 50 (the "Act") to be kept by the subsidiary corporation incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group	
		2017 US\$'000	2016 US\$'000
Revenue	4	2,295,981	999,465
Cost of sales		(2,227,941)	(987,288)
Gross profit		68,040	12,177
Other income		3,127	21
Selling and distribution expenses		(43,707)	–
Administrative expenses		(7,949)	(8,494)
Finance expenses		(2,674)	(349)
Other operating expenses		(126,151)	(114)
Share of results of associates and joint ventures (net of tax)	13, 14	(80)	42
(Loss)/profit before income tax	5	(109,394)	3,283
Income tax expense	7	(458)	(560)
(Loss)/profit for the financial year		<u>(109,852)</u>	<u>2,723</u>
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,587	–
Total comprehensive income for the financial year		<u>(106,265)</u>	<u>2,723</u>
(Loss)/profit for the financial year attributable to:			
Owners of the Company		(111,294)	2,723
Non-controlling interests		1,442	–
		<u>(109,852)</u>	<u>2,723</u>
Total comprehensive income for the financial year attributable to:			
Owners of the Company		(109,136)	2,723
Non-controlling interests		2,871	–
		<u>(106,265)</u>	<u>2,723</u>
(Losses)/earnings per share from (loss)/profit attributable to owners of the Company (cents per share)			
Basic and diluted	8	<u>(2.629)</u>	<u>0.064</u>

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group	Company	
Note	2017	2016	2017	2016
	US\$'000	US\$'000 (Restated)	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	9	35,580	34,156	–
Intangible assets	10	8,386	7,145	1
Investment in subsidiaries	12	–	–	49,000
Investment in associates	13	12,278	6,873	–
Investment in joint ventures	14	43,680	42,012	–
Available-for-sale financial assets	11	17	4	–
Deferred tax assets	25	1,436	1,285	–
Other receivables	15	430	284	–
Total non-current assets		101,807	91,759	49,000
				48,661
Current assets				
Inventories	16	57,866	41,694	–
Trade and other receivables	15	140,650	292,778	36
Derivative financial assets	17	–	461	–
Amounts due from subsidiaries	18	–	–	208
Amounts due from related companies	19	2,167	4,604	–
Tax recoverable		258	1,492	–
Cash and cash equivalents	21	38,614	36,446	–
Total current assets		239,555	377,475	244
				144,679
Total assets		341,362	469,234	49,244
				193,340
Current liabilities				
Provisions	24	148	–	–
Trade and other payables	22	170,044	151,992	204
Derivative financial liabilities	17	966	1,389	–
Loans and borrowings	23	19,257	36,455	–
Amounts due to holding company	20	2,685	4,185	–
Amounts due to related companies	19	6,699	30,827	–
Income tax payable		–	685	–
Total current liabilities		199,799	225,533	204
				20,853
Net current assets		39,756	151,942	40
				123,826
Non-current liabilities				
Provisions	24	8,787	9,428	–
Deferred tax liabilities	25	6,031	9,343	–
Loans and borrowings	23	17,974	10,293	–
Other payables	22	1,241	842	–
Total non-current liabilities		34,033	29,906	–
				–
Total liabilities		233,832	255,439	204
				20,853
Equity				
Share capital	26	545	545	545
Share premium		196,308	196,308	196,308
(Accumulated losses)/retained earnings		(107,872)	3,422	(147,813)
Foreign currency translation reserve		3,801	1,643	–
		92,782	201,918	49,040
		14,748	11,877	–
Non-controlling interests				–
Total equity		107,530	213,795	49,040
				172,487
Total equity and liabilities		341,362	469,234	49,244
				193,340

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 2017

	Attributable to the owners of the Company						
	Share capital	Share premium	Retained earnings/ (accumulated losses)	Currency translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
					US\$'000		
					(Restated)		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group							
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	—	—	—	1,643	1,643	11,877	13,520
Balance at 31 December 2016 and at 1 January 2017	545	196,308	3,422	1,643	201,918	11,877	213,795
(Loss)/profit for the financial year, representing total comprehensive income for the financial year	—	—	(111,294)	—	(111,294)	1,442	(109,852)
Exchange differences on translating foreign operations	—	—	—	2,158	2,158	1,429	3,587
Balance at 31 December 2017	545	196,308	(107,872)	3,801	92,782	14,748	107,530

	Attributable to the owners of the Company			
	Share capital	Share premium	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000
Company				
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 and at 1 January 2017	545	196,308	(24,366)	172,487
Loss for the financial year, representing total comprehensive income for the financial year	—	—	(123,447)	(123,447)
At 31 December 2017	545	196,308	(147,813)	(49,040)

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 2017

	Note	Group	
		2017 US\$'000	2016 US\$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(109,394)	3,283
Adjustments for:			
Amortisation of intangible assets	10	532	75
Impairment of intangible assets	10	77	–
Depreciation of property, plant and equipment	9	5,627	143
(Gain)/loss on disposal of property and equipment		(1)	33
Property, plant and equipment written off		271	–
Allowance for doubtful debts		125,047	–
Impairment in joint venture		6	–
Fair value measurement on derivative instrument		(125)	(461)
Interest expense		1,717	167
Interest income		(260)	(6)
Share of results of associates and joint ventures	13, 14	80	(42)
Exchange realignment		(703)	(19)
Operating cash flows before changes in working capital		22,874	3,173
Changes in working capital:			
Increase in inventories		(11,258)	–
Decrease in trade and other receivables		44,086	48,728
Decrease in trade and other payables		(1,000)	(58,612)
Cash flows generated from/(used in) operations		54,702	(6,711)
Income taxes paid		(4,495)	(3,887)
Interest paid		(1,717)	(167)
Interest received		260	6
Net cash flows generated from/(used in) operating activities		48,750	(10,759)
Cash flows from investing activities			
Acquisition of a subsidiary	12	(1,373)	(7,240)
Acquisition of interest in an associate	13	(4,536)	–
Proceed from disposal of property, plant and equipment		106	–
Purchases of property, plant and equipment	9	(3,608)	(69)
Additions to intangible assets	10	(576)	(447)
Refund of excess capital injection in joint venture	14	–	66
Net cash flows used in investing activities		(9,987)	(7,690)
Cash flows from financing activities			
Repayment of borrowings		(16,179)	–
Repayment of obligation under finance leases		(53)	–
Repayment to related companies		(21,726)	–
Repayment to holding company		(1,500)	(1,500)
Fixed deposit released from/(pledged with) financial institutions	21	609	(609)
Net cash flows used in financing activities		(38,849)	(2,109)
Net decrease in cash and cash equivalents		(86)	(20,558)
Cash and cash equivalents at beginning of year		23,032	43,606
Effects of exchange rate changes on cash and cash equivalents		104	(16)
Cash and cash equivalents at end of year	21	23,050	23,032

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 2017

1. General information

AnAn International Limited (the “Company”) (Registration Number : 35733), formerly known as CEFC International Limited, 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 2017, including the Amendments to IAS 7 *Disclosure Initiative*. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 2 <i>Classification and Measurement of Share-Based Payment Transactions</i>	1 January 2018
Amendments to IAS 40 <i>Transfers of Investment Property</i>	1 January 2018
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Improvements to IFRSs (December 2016)	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards - Deletion of Short-Term Exemptions for First-Time Adopters</i>	1 January 2018
IAS 28 <i>Investments in Associates and Joint Ventures - Clarification that Measuring Investees at Fair Value Through Profit or Loss is an Investment-by-Investment Choice</i>	1 January 2018
Amendments to IFRS 4 <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
IFRIC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2019
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for IFRS 9, IFRS 15 and IFRS 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of IFRS 9, IFRS 15 and IFRS 16 are described below.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. 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.

Classification and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

IFRS 9 Financial Instruments (cont'd)

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its loans and receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all loans and receivables. Upon application of the expected credit loss model, the Group expects that due to unsecured nature of its loans and receivables, there will be an increase in expected credit loss allowance amounting to less than 1% of total loans and receivables.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group has performed a preliminary impact assessment of adopting IFRS 15 based on the currently available information and expected no material impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis until the Group adopts IFRS 15 in 2018.

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 exemptions 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.4 Basis of consolidation (cont'd)

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.

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\$.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.5 Foreign currency transactions and translation (cont'd)

(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 off.

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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.6 Business combinations (cont'd)

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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.8 Joint ventures and associates (cont'd)

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.

2.9 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) Distribution revenue

Revenue from distribution is recognised from fuels and gas distribution, retail outlets, network, logistics and storage facilities.

(c) Derivative trading

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

(d) Interest income

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

(e) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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.

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 to 20 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 are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.14 *Intangible assets*

Lease premium

Lease premium is a payment made by the tenant to the owner upon the signing of the lease agreement to enter into a lease.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.15 Impairment of non-financial assets (cont'd)

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.

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 and other receivables, assets (excluding prepayments), amounts due from subsidiaries, amounts 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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)

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 twelve 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 twelve 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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)

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.

(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 amounts due to related companies

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.16 Financial instruments (cont'd)

Initial recognition and measurement (cont'd)

(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.

2.18 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.20 Provisions (cont'd)

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.

2.21 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.26 **Derivative financial instruments**

Derivative financial instruments arise from commodity and currency 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.

2.27 **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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.28 Income taxes (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

2.28 Income taxes (cont'd)

(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.

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 Group's provision policy for doubtful receivables from third parties 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 conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The gross carrying amount of the Group's trade receivables from third parties as at 31 December 2017 was US\$135,773,000 (2016: US\$139,091,000), with allowance for doubtful debt of US\$4,382,000 (2016: US\$3,980,000) (Note 15).

The gross carrying amount of the Group's trade receivables from a related party as at 31 December 2017 was US\$130,573,000 (2016: US\$151,641,000), with allowance for doubtful debt of US\$124,520,000 (2016: US\$Nil). Refer to Note 15 for details of the impairment provided on the Group's trade receivables from the related party.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Critical accounting estimates, assumptions and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(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 and net deferred tax liabilities as at 31 December 2017 were US\$Nil (2016: US\$685,000) and US\$4,595,000 (2016: US\$8,058,000) respectively.

(c) Goodwill arising from acquisition of subsidiaries

The Group recognises goodwill arising from acquisition of subsidiaries using the purchase price allocation exercise to determine the fair value of the acquired assets and liabilities on the acquired subsidiaries. Significant management judgement and estimate is required for the identification of the acquired assets and liabilities and their respective fair valuation. A provisional goodwill was recognised in 2016 during the first year of acquisition, and the goodwill was finalised in 2017 following the finalisation of the PPA exercise. Further details are provided in Note 12.

(d) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property and equipment, investments in subsidiaries and associates, and memberships in exchanges are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and where applicable, cash generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates. The carrying amount of the Group's goodwill at the end of the reporting period is disclosed in Note 10 to the financial statements.

4. Revenue

Revenue comprised the following:

	Group	
	2017	2016
	US\$'000	US\$'000
Wholesale	865,587	1,001,785
Distribution	1,429,396	–
Derivative trading - net loss	(461)	(2,320)
Dividend income	1,459	–
	<u>2,295,981</u>	<u>999,465</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

5. (Loss)/profit before income tax

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

	Group	
	2017	2016
	US\$'000	US\$'000
Audit fees paid to auditors of the Company	412	112
Non-audit fees paid to auditors of the Company	95	344
Amortisation of intangible assets (Note 10)	532	75
Impairment of intangible assets (Note 10)	77	–
Depreciation of property, plant and equipment (Note 9)	5,627	143
Impairment of joint venture (Note 14)	6	–
Allowance for doubtful debt	125,047	–
Operating lease expenses	3,036	1,107
Professional fees	1,284	1,324
Directors' fees	216	218
(Gain)/loss on disposal of property, plant and equipment	(1)	33
Staff cost (Note 6)	25,773	4,023
Net foreign exchange (gain)/loss	(713)	131

6. Staff cost

	Group	
	2017	2016
	US\$'000	US\$'000
Salaries and bonuses	15,921	3,499
Costs of defined contribution plan	1,353	163
Staff related taxes	6,059	–
Staff incentives	1,143	–
Other staff related costs	1,297	361
	25,773	4,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Income tax expense

Tax expense attributable to (loss)/profit before taxation is made up of:

- Current income tax
- Overprovision in respect of prior years
- Withholding tax
- Deferred tax due to timing differences

Group	
2017	2016
US\$'000	US\$'000
6,001	685
(2,118)	(125)
38	–
(3,463)	–
458	560

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

A reconciliation between tax expenses and the accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 is as follows:

Group	
2017	2016
US\$'000	US\$'000
(109,394)	3,283
Tax at the domestic rates applicable to (loss)/profits in the countries where the Group operates	(19,399)
Adjustment for:	
Non-deductible expenses	25,009
Non-taxable income	(3,045)
Effect of partial tax exemption and tax relief	(27)
Overprovision in respect of prior years	(2,118)
Withholding tax	38
Income tax expense recognised in profit or loss	458
	560

The reconciliation is prepared by aggregating separate reconciliation for each national jurisdictions.

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing (loss)/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 (loss)/profit and share data used in the computation of basic and diluted earnings per share:

Group	
2017	2016
(Loss)/profit for the financial year attributable to owners of the Company (US\$'000)	(111,294)
Weighted average number of ordinary shares outstanding for earnings per share ('000)	4,233,186
(Losses)/earnings per share (cents)	(2.629)
	0.064

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Property, plant and equipment

Group	Office equipment, furniture and fitting US\$'000	Motor vehicles US\$'000	Computers US\$'000	Leasehold improvements US\$'000	Land and building US\$'000 (Restated)	Plant and machinery US\$'000 (Restated)	Construction in progress US\$'000	Total US\$'000
Cost								
At 1 January 2016	84	216	103	226	-	-	-	629
Additions	19	-	50	-	-	-	-	69
Disposals	-	(216)	-	-	-	-	-	(216)
Acquisition of a subsidiary At 31 December 2016 and at 1 January 2017	260	-	10	-	13,533	19,099	1,010	33,912
Additions	363	-	163	226	13,533	19,099	1,010	34,394
Disposals	10	12	177	1	597	1,864	947	3,608
Acquisition of a subsidiary	(2)	-	(29)	-	-	(128)	(19)	(178)
Write-off	1	94	-	-	-	78	-	173
Transfer	(4)	-	(21)	-	(27)	(321)	(271)	(644)
Reclassification	-	-	14	-	76	1,271	(1,361)	-
Exchange difference	-	-	-	-	(1,905)	1,905	-	-
At 31 December 2017	30	-	(1)	-	1,583	2,217	101	3,930
	398	106	303	227	13,857	25,985	407	41,283
Accumulated depreciation								
At 1 January 2016	15	162	36	65	-	-	-	278
Depreciation	20	21	37	65	-	-	-	143
Disposal	-	(183)	-	-	-	-	-	(183)
At 31 December 2016 and at 1 January 2017	35	-	73	130	-	-	-	238
Depreciation	203	17	60	64	1,427	3,856	-	5,627
Disposal	-	-	(26)	-	-	(47)	-	(73)
Write-off	(4)	-	(21)	-	(27)	(321)	-	(373)
Exchange differences	10	1	-	-	79	194	-	284
At 31 December 2017	244	18	86	194	1,479	3,682	-	5,703
Carrying amounts								
At 31 December 2016	328	-	90	96	13,533	19,099	1,010	34,156
At 31 December 2017	154	88	217	33	12,378	22,303	407	35,580

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Intangible assets

Group	Lease premium US\$'000	Goodwill US\$'000	Software US\$'000	Land use rights US\$'000	Concessions and similar rights US\$'000	Total US\$'000
	(Restated)					
Cost						
At 1 January 2016	–	–	15	–	–	15
Additions	–	–	447	–	–	447
Acquisition of a subsidiary	–	5,776	259	80	656	6,771
At 31 December 2016 and at 1 January 2017	–	5,776	721	80	656	7,233
Reclassification	40	–	–	458	(498)	–
Additions	–	518	58	–	–	576
Acquisition of a subsidiary	–	669	149	–	232	1,050
Exchange differences	4	134	30	63	19	250
At 31 December 2017	44	7,097	958	601	409	9,109
Accumulated depreciation						
At 1 January 2016	–	–	14	–	–	14
Amortisation	–	–	75	–	–	75
At 31 December 2016 and at 1 January 2017	–	–	89	–	–	89
Amortisation	3	–	279	136	114	532
Impairment	–	77	–	–	–	77
Exchange difference	–	4	7	8	6	25
At 31 December 2017	3	81	375	144	120	723
Carrying amounts						
At 31 December 2016	–	5,776	632	80	656	7,145
At 31 December 2017	41	7,016	583	458	289	8,386

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Intangible assets (cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating unit ("CGU"):

	Group	
	2017	2016
	S\$'000	S\$'000
		(Restated)
AnAn Assets Management & Equity Investment (Hong Kong) Co., Limited. ("AnAn AM") distribution segment	7,097	5,776

As disclosed in Note 12, the Group allocated the entire goodwill from its investment in AnAn AM to one cash-generating unit ("CGU"), which is the distribution segment managed under AnAn AM. The key assumptions for the value in use calculations are the discount rate, terminal growth rate, projected revenue and direct costs during the forecasted period. The recoverable amount of the CGU is based on their value in use, computed by discounting the expected future cash flows of the CGU.

Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Cash flow projections are based on the approved 1-year budget and projected forecast for year 2 to year 5 using a 4% historical growth rate. The management then uses a perpetuity valuation model with terminal growth rate of 3% and weighted average cost of capital of 10% to discount the enterprise to its present value.

Impairment is recognised in the consolidated statement of comprehensive income when the carrying amount of the operating segment exceeds its recoverable amount.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for the AnAn AM distribution segment, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying amount of the operating segment to exceed their recoverable amount, and no impairment of goodwill is required for the financial year ended 31 December 2017.

11. Available-for-sale financial assets

	Group	
	2017	2016
	US\$'000	US\$'000
Unquoted equity securities, at cost	17	4

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries

Unquoted equity share, at cost
Less: Provision for impairment loss

Company	
2017	2016
US\$'000	US\$'000
49,160	48,660
(160)	–
49,000	–

The details of the subsidiaries are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries (cont'd)

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

(a) Audited by Ernst & Young LLP, Singapore

(b) Audited by Ernst & Young, Hong Kong

(c) Audited by Ernst & Young et L Associés, France

(d) Audited by Ernst & Young, S.L., Spain

(e) No audit required as allowed by the laws of the country of incorporation

Incorporation of a subsidiary

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

Acquisition of subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Contingent consideration arrangement

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

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

- (a) any order, notice, summons, investigations, inquiries, proceedings and/or other legal actions, by any government or regulatory authority to appropriate, confiscate, destroy, expropriate, freeze, repossess, requisition for title and/or seize any assets of any entities under the AnAn AM Group or disrupt, stop and/or terminate of the business or operations of any entities under the AnAn AM Group, arising from the actions of KMGI, any member of the KazMunayGas Group ("KMG Group") or any entities under the AnAn AM Group (the "Romanian Investigations") which are the subject of the Romanian Investigations (as defined below) and resulting in a material adverse effect on the value, financial conditions, assets, liabilities, businesses and/or operations of any entities under the AnAn AM Group; or
- (b) the transfer of the minority 49% equity interest in Rompetrol France SAS to a third party has not been completed within 5 years of the date of Completion.

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

- (a) one month after the order, notice, summons, investigations, inquiries, proceedings and/or other legal actions by the government or regulatory authorities in Romania in respect of the assets, business and/or operations of KMGI, any member of the KMG Group or any entities under the AnAn AM Group have been permanently discontinued, or concluded in writing with no adverse order, notice and/or summons being made, against any entities under the AnAn AM Group or in respect of the assets, business and/or operations of any entities under the AnAn AM Group; or
- (b) the transfer of the minority 49% equity interest in Rompetrol France SAS to a third party is completed, whichever is earlier, (the "Option Period").

Goodwill arising from acquisition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries (cont'd)

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

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

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

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

Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheets

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

Summarised statement of comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Investment in subsidiaries (cont'd)

Impairment of investment in subsidiary

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

13. Investment in associates

Capital contribution to an associate

On 1 December 2017, the Group, through one of the Group's subsidiaries, Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd., has fully contributed its 15% registered capital of RMB 30,000,000 in an associate, Yinxin Commercial Factoring Co., Ltd. The principal activities are in the business of import and export factoring, onshore and offshore factoring, providing consultancy services in relation to commercial factoring and other related businesses which are allowed under the law of the People's Republic of China.

	Group	
	2017	2016
	US\$'000	US\$'000
		(Restated)
Investment in associates	12,278	6,873

The details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Effective equity interest held by the Company	
			2017	2016
			%	%
Held through Dyneff SAS				
DP FOS SA. (Note a)	France	Storage of Petroleum Products	4.93	4.93
SPR SA. (Note b)	France	Storage of Petroleum Products	8.49	8.49
Held through Shanghai Dajiang Shenyuan Equity Investment Fund Management Co., Ltd				
Yinxin Commercial Factoring Co., Ltd. (Note c)	China	Factoring and consulting activities	15	—

(a) Audited by Financiere Saint Honore, France

(b) Audited by Mazars, France

(c) No audit required as allowed by the laws of the country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Investment in associates (cont'd)

The movement in the Group's investment in associates is as follows:

	Group	
	2017	2016
	US\$'000	US\$'000 (Restated)
Carrying amount of interest in associates at beginning of the year	6,873	–
Share of results of associates, net of tax	60	–
Acquisition of interests in associates	4,536	–
Exchange difference	809	–
Acquisition of a subsidiary with associates (Note 12)	–	6,873
Carrying amount of interest in associates at end of the year	12,278	6,873

The associates are individually immaterial to the Group and are equity accounted.

The profit arising from the Group's investments in these associates in 2017 is US\$1,484,000 (2016: US\$Nil), and there is no other comprehensive income arising from these associates.

14. Investment in joint ventures

	Group	
	2017	2016
	US\$'000	US\$'000 (Restated)
Investment in joint ventures	43,686	42,012
Less: Provision for impairment loss	(6)	–
	43,680	42,012

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	
			2017	2016
			%	%
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	25.5	25.5
BAE Prod. (Note b and c)	France	Manufacturing of biocarburant products	25.5	25.5
EPPLN SAS. (Note b)	France	Storage of Petroleum Products	25.5	25.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Investment in joint ventures (cont'd)

(a) Audited by CAC CPA Limited Liability Partnership

(b) Audited by KPMG LLP, France

(c) Liquidated on 25 January 2018

The Group has 49% (2016: 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 based on its IFRS financial statements and reconciled with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group	
	2017	2016
	US\$'000	US\$'000
Cash and cash equivalents	4,631	2,283
Trade receivables	646	296
Other current assets	741	323
Total current assets	6,018	2,902
Intangible assets	17,968	17,617
Other non-current assets	77,300	82,409
Total non-current assets	95,268	100,026
Total assets	101,286	102,928
Current liabilities	(7,739)	(15,315)
Non-current financial liabilities	(40,824)	(36,736)
Total liabilities	(48,563)	(52,051)
Net assets	52,723	50,877
Proportion of the Group's ownership	49%	49%
Group's share of net assets	25,126	24,930
Exchange difference	522	1,621
Carrying amount of the investment	26,548	26,551

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Group	
	2017	2016
	US\$'000	US\$'000
Revenue	8,483	1,617
Cost of sales	(6,807)	(2,057)
Gross profit/(loss)	1,676	(440)
Administrative expenses	(153)	(80)
Finance (expenses)/income	(2,048)	654
Other operating expenses	(20)	(37)
(Loss)/profit before tax	(545)	97
Income tax credit/(expense)	145	(10)
(Loss)/profit after tax	(400)	87
Total comprehensive income	(400)	87

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

	Group	
	2017	2016
	US\$'000	US\$'000 (Restated)
Carrying amount of interest in joint ventures at beginning of the year	42,012	26,575
(Loss)/profit from continuing operations	(140)	42
Acquisition of a subsidiary with joint ventures (Note 12)	–	15,460
Refund of excess capital injection	–	(66)
Provision for impairment loss	(6)	–
Exchange difference	1,814	1
Carrying amount of interest in joint ventures at end of the year	43,680	42,012

Other than Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited, the other joint ventures are individually immaterial to the Group and are equity accounted.

The profit arising from the Group's investments in these joint ventures which are individually immaterial to the Group in 2017 is US\$101,000 (2016: US\$Nil), and there is no other comprehensive income arising from these joint ventures. The carrying amount of the Group's interest in these joint ventures amount US\$17,132,000 (2016: US\$15,461,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Trade and other receivables

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

Impairment of trade receivables from a related party

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Trade and other receivables (cont'd)

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

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

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

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

Ageing analysis of the Group's trade receivables

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

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

16. Inventories

	Group	
	2017	2016
	US\$'000	US\$'000
Trading inventories at fair value less costs to sell	54,770	40,052
Others	3,096	1,642
	57,866	41,694

There are no inventories held by the Company as at the end of 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. Derivatives

	Group					
	2017			2016		
	Contract/ Notional Amount US\$'000	Assets US\$'000	Liabilities US\$'000	Contract/ Notional Amount US\$'000	Assets US\$'000	Liabilities US\$'000
Oil commodity derivatives	22,936	–	853	22,680	461	1,382
Forward currency contracts	12,938	–	113	21,790	–	7
	35,874	–	966	44,470	461	1,389

18. Amounts due from subsidiaries

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

Impairment of amounts due from subsidiary

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

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. Amounts due to holding company

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

21. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and short-term deposits	38,614	35,837	–	490
Fixed deposits pledged	–	609	–	–
	38,614	36,446	–	490

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Cash and cash equivalents (cont'd)

For the purpose of the combined statement of cash flows, cash and cash equivalents excludes 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	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances	38,614	36,446	–	490
Bank overdrafts (Note 22)	(15,564)	(12,805)	–	–
Fixed deposits pledged	–	(609)	–	–
	23,050	23,032	–	490

22. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current				
Other payables	1,241	842	–	–
Current				
Trade payables - third parties	82,874	86,735	–	–
Advance collection	220	194	–	–
Accrued operating expenses	714	804	204	353
Excise tax payable	73,387	52,200	–	–
Other payables	12,849	12,059	–	–
	170,044	151,992	204	353
Trade and other payables (non-current and current)	171,285	152,834	204	353

Trade payables are non-interest bearing and the average credit period on purchases of goods range from 0 to 31 days (2016: 0 to 30 days) according to the terms agreed with the suppliers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. Loans and borrowings

	Maturity	Group	
		2017	2016
		US\$'000	US\$'000
Current			
Obligations under finance leases (Note 27)	2018	34	56
Bank overdrafts	On demand	15,564	12,805
Unsecured bank loans	2018	2,998	1,596
Secured bank loans at EURIBOR 3M/12M + 2/2.5% p.a.	2018	106	21,710
Loan from a related party at EURIBOR + 2% p.a.	On demand	555	288
		19,257	36,455
Non-current			
Obligations under finance leases (Note 27)		—	24
Loan from a related party at EURIBOR + 2% p.a.	2020	8,684	5,097
Unsecured bank loans at fixed rates between of 0.6% to 2.5%	2021 to 2024	9,290	5,172
		17,974	10,293
Total loans and borrowings		37,231	46,748

The bank overdrafts and secured bank loans amounting US\$15,564,000 (2016: US\$12,805,000) and US\$106,000 (2016: US\$21,710,000) are secured by the trade receivables of the subsidiaries with a total carrying amount of EUR18,000,000, and inventories and receivable of the subsidiaries with a total carrying amount of US\$45,000,000.

24. Provisions

	Group		
	Reinstatement cost US\$'000	Dismantling and restoration cost US\$'000	Other provision US\$'000
At 1 January 2016	141	–	–
Acquisition of a subsidiary	–	6,408	2,880
Exchange differences	(1)	–	–
At 31 December 2016 and at 1 January 2017	140	6,408	2,880
Arose during the year	–	–	247
Utilised	–	(77)	(675)
Unused amount reversed	–	(810)	(190)
Exchange differences	8	702	302
At 31 December 2017	148	6,223	2,564

There are no provisions carried by the Company as at the end of 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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	
	2017	2016
	US\$'000	US\$'000 (Restated)
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(4,920)	(4,446)
Impairment of intangible assets	(56)	(76)
Fair value adjustments on inventories	(416)	(528)
Provisions	(2,888)	(5,116)
Finance lease	(82)	(118)
Fair value adjustments on investments	(313)	(280)
Fair value adjustments on derivatives	–	274
Other items	2,644	226
Temporary differences	–	721
	(6,031)	(9,343)
Deferred tax assets:		
Fair value adjustment on property, plant and equipment	1,436	1,285
	1,436	1,285
Net deferred tax liabilities	(4,595)	(8,058)

26. Share capital

	Group and Company			
	2017	2016	2017	2016
	No. of shares	No. of shares	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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. 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	
	2017	2016
	US\$'000	US\$'000
Future minimum lease payments payable:		
Within one year	26,821	10,479
After one year but within five years	11	691
Total	26,832	11,170

The non-cancellable leases on the Group's office premises will expire in approximately 1 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 2016 and 2017.

(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			
	2017		2016	
	Minimum lease payments US\$'000	Present value of payments US\$'000	Minimum lease payments US\$'000	Present value of payments US\$'000
Within one year	33	33	56	56
After one year but within five years	–	–	24	24
Total minimum lease payments and present value of minimum lease payments	33	33	80	80

28. Contingent liabilities, unsecured

As at 31 December 2017, the Company had given guarantees amounting to US\$120,000,000 (2016: US\$511,000,000) to certain banks in respect of banking facilities granted to a subsidiary. In addition, the Group has also given guarantees amounting to EUR14,800,000 (2016: EUR 9,690,000) to certain counterparts for a subsidiary and a joint venture company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. 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	
	2017	2016
	US\$'000	US\$'000
Sale of goods to a related company	746,281	956,580

(b) *Key management personnel compensation*

	Group	
	2017	2016
	US\$'000	US\$'000
<i>Key management personnel</i>		
Salaries and bonuses	1,695	1,396
Employers' contribution to CPF	27	19
Other allowances	32	88
	1,754	1,503

30. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Segment information (cont'd)

Income taxes are managed on each operating segment 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.

(a) Analysis by business segment

2017	Distribution US\$'000	Wholesale US\$'000	Corporate US\$'000	Adjustments and eliminations US\$'000	Total US\$'000
Revenue:					
External customers	1,429,396	865,126	–	–	2,294,522
Dividend income	1,459	–	–	–	1,459
Total revenue	1,430,855	865,126	–	–	2,295,981
Results:					
Segment results	6,635	(110,571)	(1,394)	(1,570)	(106,900)
Interest income	250	10	577	(577)	260
Finance expenses	(2,127)	(559)	(543)	555	(2,674)
Share of results of joint venture	116	–	(196)	–	(80)
	4,874	(111,120)	(1,556)	(1,592)	(109,394)
Tax expense	(254)	(204)	–	–	(458)
Net profit/(loss) for the year	4,620	(111,324)	(1,556)	(1,592)	(109,852)
Segment assets:					
Segment assets	252,797	42,674	184,687	(196,448)	283,710
Investment in associates	10,271	–	4,536	(2,529)	12,278
Investment in joint ventures	13,176	–	30,504	–	43,680
Tax assets	504	–	–	1,190	1,694
Total assets	276,748	42,674	219,727	(197,787)	341,362
Segment liabilities:					
Segment liabilities	224,018	125,891	16,312	(138,420)	227,801
Tax liabilities	5,491	–	–	540	6,031
Total liabilities	229,509	125,891	16,312	(137,880)	233,832
Capital expenditure	3,561	91	14	–	3,666
Significant non-cash items:					
Depreciation and amortisation	4,362	282	1	1,592	6,237

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Segment information (cont'd)

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

2016	Distribution US\$'000	Wholesale US\$'000	Corporate US\$'000	Adjustments and eliminations US\$'000	Total 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. 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	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Europe	1,430,855	183,319	64,181	62,320
Hong Kong	745,820	773,723	–	4,358
People's Republic of China	–	–	30,905	26,552
Singapore	–	24,002	6,721	617
Others	119,306	18,421	–	–
	<u>2,295,981</u>	<u>999,465</u>	<u>101,807</u>	<u>93,847</u>

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

31. 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 Audit Committee ("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, for which the trade receivables due from the related company has been fully provided for as at 31 December 2017. Refer to Note 15 for details.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(a) Credit risks (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet, except for current trade receivables which has a maximum exposure to credit risk amounting US\$266,346,000 (2016: US\$290,732,000) and carrying amount of US\$137,444,000 (2016: US\$286,752,000).

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

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	
	2017	2016
	US\$'000	US\$'000
By country:		
Hong Kong	6,055	151,641
France	108,085	116,656
Spain	23,304	18,455
	<u>137,444</u>	<u>286,752</u>
By segments:		
Distribution	131,389	135,111
Wholesales	6,055	151,641
	<u>137,444</u>	<u>286,752</u>

Information about a major customer

At the end of the reporting date, approximately 49% (2016: 53%) of the Group's gross trade receivables were due from a related company, for which the amount had been fully provided as at 31 December 2017 (2016: Nil).

(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\$1,592,000 (2016: US\$870,000), assuming all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(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"), Chinese Renminbi ("RMB") and Euro dollar ("EUR").

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.

The Group's currency exposures to SGD, RMB and EUR at the reporting date are as follows:

Group	2017			2016		
	SGD US\$'000	RMB US\$'000	EUR US\$'000	SGD US\$'000	RMB US\$'000	EUR US\$'000
Financial assets						
Trade and other receivables (excluding prepayments)	318	25	134,304	310	–	134,174
Cash and cash equivalents	442	10,892	5,814	669	–	3,447
Amounts due from related parties	–	–	2,167	–	–	4,604
	760	10,917	142,285	979	–	142,225
Financial liabilities						
Trade and other payables (excluding provisions and advance collections)	(700)	–	(170,104)	(295)	–	(130,075)
Loans and borrowings	–	–	(37,231)	–	–	(43,944)
Derivative financial liabilities	–	–	(966)	–	–	(1,389)
Amounts due to related parties	–	–	(6,700)	–	–	(10,327)
	(700)	–	(215,001)	(295)	–	(185,735)
Currency exposure on net financial assets/ (liabilities)	60	10,917	(72,716)	684	–	(43,510)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(c) Market risks (cont'd)

(i) Foreign currency risks (cont'd)

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

Company	2017	2016
	SGD US\$'000	SGD US\$'000
Financial assets		
Amounts due from subsidiaries	3,515	3,738
Cash and cash equivalents	–	284
	3,515	4,022
Financial liabilities		
Other payables (excluding provisions)	(205)	(353)
	(205)	(353)
Currency exposure on net financial assets	3,310	3,669

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, RMB 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 2016, as indicated below:

	Group			
	Profit/(loss) before taxation		Other comprehensive income	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
+5% increase in SGD against USD	3	34	–	–
+5% increase in RMB against USD	546	–	–	–
+5% increase in EUR against USD	(303)	(271)	(3,333)	(1,904)

	Company			
	Profit before taxation		Other comprehensive income	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
+5% increase in SGD against USD	166	183	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(c) Market risks (cont'd)

(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.

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	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed rate instruments				
Financial assets	–	609	–	–
Financial liabilities	(12,252)	(19,573)	–	–
	(12,252)	(18,964)	–	–
Variable rate instruments				
Financial assets	38,614	35,837	–	490
Financial liabilities	(31,776)	(27,095)	–	–
	6,838	8,742	–	490

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\$68,380 (2016: US\$87,420) and US\$Nil (2016: US\$4,900) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. 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.

2017	Group			
	On demand US\$'000	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000
Financial assets				
Amounts due from related companies	2,167	–	–	–
Trade receivables and other assets (excluding prepayments)	–	140,285	430	–
Cash and cash equivalents	–	38,614	–	–
	2,167	178,899	430	–
Financial liabilities				
Amounts due to holding company	2,685	–	–	–
Amounts due to related companies	6,699	–	–	–
Trade and other payables (excluding provisions and advance collections)	–	169,824	1,241	–
Loans and borrowings	16,120	3,137	15,373	2,601
	25,504	172,961	16,614	2,601
Total net undiscounted financial (liabilities)/ assets	(23,337)	5,938	(16,184)	(2,601)
2016				
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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. 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
	US\$'000	US\$'000	US\$'000	US\$'000
2017				
Financial assets				
Amounts due from subsidiaries	208	—	—	—
Financial liabilities				
Trade payables and other payables (excluding provisions and advance collections)	—	204	—	—
	—	204	—	—
Total net undiscounted financial assets	208	(204)	—	—
2016				
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 and advance collections)	—	353	—	—
	20,500	353	—	—
Total net undiscounted financial assets	123,637	137	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. 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
	US\$'000	US\$'000
2017		
Financial guarantees (Note 28)	–	137,571
Financial derivatives:		
- Net outflow	966	–
Total	966	137,571
2016		
Financial guarantees (Note 28)	–	521,298
Financial derivatives:		
- Net inflow	(461)	–
- Net outflow	1,389	–
Total	928	521,298
	Company	
	1 year or less	No specific maturity
	US\$'000	US\$'000
2017		
Financial guarantees (Note 28)	–	120,000
2016		
Financial guarantees (Note 28)	–	511,100

(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.

There is no trade receivable or trade payable as at the end of 31 December 2016 and 31 December 2017 that can be off-set.

(f) Financial instruments by category

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Loan and receivables	181,585	333,853	–	144,627
Financial assets, at fair value through profit or loss	(966)	(928)	–	–
Financial assets, available-for-sale	17	4	–	–
Financial liabilities at amortised cost	(217,679)	(234,594)	(205)	(20,853)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. 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.

(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) US\$'000	Significant observable input other than quoted price (Level 2) US\$'000	Significant unobservable input (Level 3) US\$'000	Total US\$'000
2017				
Assets				
Derivative financial liabilities	–	(966)	–	(966)
2016				
Assets				
Derivative financial assets	–	461	–	461
Derivative financial liabilities	–	(1,389)	–	(1,389)

Level 2 fair value measurement

The fair value of financial instruments that are not traded in an active market 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

(b) Assets and liabilities measurement at fair value (cont'd)

Fair value of financial instrument 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, including cash and cash equivalents, trade and other receivables (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 borrowings (excluding 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\$9,353,225 (2016: US\$5,119,000) 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.

33. 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 2017 and 2016.

	Group	
	2017	2016
	US\$'000	US\$'000 (Restated)
Amounts due to holding company (Note 23)	2,685	4,185
Amounts due to related companies (Note 19)	6,699	30,827
Trade and other payables (Note 22)	170,044	151,992
Derivatives financial liabilities (Note 17)	966	1,389
Loans and borrowings (Note 23)	37,231	46,748
Less: Cash and cash equivalents (Note 20)	(38,614)	(36,446)
Net debt	179,011	198,695
Total capital	215,025	201,918
Total capital and net debt	394,036	400,613
Gearing ratio	45%	50%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. Prior year comparatives

As disclosed in Note 12, the PPA for the 2016 acquisition of AnAn AM Group was finalised in 2017. As a result, the valuation of the following assets and liabilities at 31 December 2016 and 1 January 2017 have been made.

	Group	
	At 31 December 2016 and 1 January 2017	
	US\$'000	US\$'000
	(as previously stated)	(as restated)
Property, plant and equipment:		
- Land and building	28,276	13,533
- Plant and machinery	7,802	19,101
Intangible assets:		
- Goodwill	7,154	5,776
Investment in associates	9,137	6,873
Investment in joint ventures	38,298	42,012
Tax recoverable	1,712	1,492
Deferred tax liabilities	8,860	9,343
Deferred tax asset	—	1,285

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 2017 were approved and authorised for issue by the Board of Directors on 28 May 2018.

STATISTICS OF SHAREHOLDINGS

As at 31 May 2018

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
Subsidiary Holdings	-	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	8	0.94	297	0.00
100 - 1,000	74	8.72	68,592	0.00
1,001 - 10,000	247	29.09	1,868,400	0.05
10,001 - 1,000,000	487	57.36	39,039,210	0.92
1,000,001 AND ABOVE	33	3.89	4,192,209,351	99.03
TOTAL	849	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	HONG KONG GREAT WALL ECONOMIC COOPERATION CENTRE LIMITED	176,382,744	4.17
4	HUANGHE EXPLORATION & TECHNOLOGY (GROUP) LIMITED	176,382,744	4.17
5	RAFFLES NOMINEES (PTE.) LIMITED	167,748,600	3.96
6	PHILLIP SECURITIES PTE LTD	145,723,300	3.44
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	98,804,800	2.33
8	CITIBANK NOMINEES SINGAPORE PTE LTD	92,766,300	2.19
9	OCBC SECURITIES PRIVATE LIMITED	75,177,698	1.78
10	DBSN SERVICES PTE. LTD.	32,073,745	0.76
11	UOB KAY HIAN PRIVATE LIMITED	31,529,711	0.74
12	LUAN WENBO	30,700,000	0.73
13	KGI SECURITIES (SINGAPORE) PTE. LTD.	17,133,600	0.40
14	LAU CHEE HERNG (LIU ZHIHENG)	15,000,000	0.35
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	13,461,627	0.32
16	LIM & TAN SECURITIES PTE LTD	12,074,000	0.29
17	ABN AMRO CLEARING BANK N. V	8,286,100	0.20
18	DBS NOMINEES (PRIVATE) LIMITED	7,578,700	0.18
19	CHEAH HONG TOY	4,300,000	0.10
20	HSBC (SINGAPORE) NOMINEES PTE LTD	3,286,000	0.08
	TOTAL	4,162,789,851	98.34

STATISTICS OF SHAREHOLDINGS

As at 31 May 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

No.	Name	Direct Interest		Deemed Interests	
		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 31 May 2018, Mr. Ye held 50.01% and Zhong Ye held 33.33% 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 31 May 2018, 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 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of AnAn International Limited (“**Company**”) will be held at Six Battery Road #10-01 Singapore 049909 on Friday, 29 June 2018 at 10.00 a.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 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Director of the Company retiring pursuant to Bye-Law 86(1) of the Company’s Bye-Laws:

Mr. Ooi Hoe Seong **(Resolution 2)**

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$300,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (2017: S\$300,000) **(Resolution 3)**
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 4)**
5. To transact any other ordinary business which may properly be 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 (“**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, “**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 and subsidiary holdings 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 and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below);

NOTICE OF ANNUAL GENERAL MEETING

- (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 and subsidiary holdings shall be calculated based on the total number of issued Shares excluding treasury shares and subsidiary holdings 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (ii)]

(Resolution 5)

By Order of the Board

Zang Jian Jun
Executive Chairman

Singapore, 13 June 2018

Explanatory Notes:

- (i) Mr Ooi Hoe Seong will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Resolution 5, 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 5 (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 and subsidiary holdings) 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 5) 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 and subsidiary holdings) will be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings of the Company at the time of the passing of this Resolution 5, 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 5, 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.

NOTICE OF ANNUAL GENERAL MEETING

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 office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza 1 Singapore 048619, 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 office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619, 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/her/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 office of the Company's Singapore Share Transfer Agent, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619, 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. It is the Depositor's responsibility to ensure that this Depositor Proxy Form is properly completed. Any decision to reject this Depositor Proxy Form on the grounds that it is incomplete, improperly completed or illegible will be final and binding and neither the Company, CDP and RHT Corporate Advisory Pte. Ltd. accepts any responsibility for the consequences of such a decision. 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 Depositor or a Shareholder 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 Depositor or a Shareholder of the Company (i) consents to the collection, use and disclosure of the Depositor or the Shareholder'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 Depositor or the Shareholder discloses the personal data of the Depositor or the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Depositor or the Shareholder 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 Depositor or the Shareholder 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.



AnAn International Limited

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