DAXIN PETROLEUM PTE LTD

Registration Number: 199002246C

FINANCIAL STATEMENTS

Year ended 31 December 2016

Directors' statement

In our opinion:

(a) the financial statements set out on pages FS1 to FS25 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Zhou Bin	
Andrei Martyniouk	(appointed on 18 October 2016)
Mah Tien Loong	(appointed on 18 October 2016)
Neo Ching Hwei	(appointed on 18 October 2016)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests are held	**Holdings at beginning of the year/ date of appointment**	**Holdings at end of the year**
The Company		
- ordinary shares		
Direct interests		
Zhou Bin	2,680,000	2,680,000
Andrei Martyniouk	2,010,000	2,010,000

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

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 in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Zhou Bin
Director

Andrei Martyniouk
Director

Independent auditors' report

Members of the Company
Daxin Petroleum Pte Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Daxin Petroleum Pte Ltd ('the Company'), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS25.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 SSAs 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 financial statements.

As part of an audit in accordance with SSAs, 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 controls.

- Obtain an understanding of internal controls 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 Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a 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.

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

Statement of financial position
As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
Non-current assets			
Property, plant and equipment	4	13	18
Total non-current assets		13	18
Current assets			
Trading inventories		70,970	28,554
Trade and other receivables	5	95,953	151,483
Financial derivatives	10	11,700	16,633
Cash and cash equivalents	6	109,685	99,459
Total current assets		288,308	296,129
Total assets		288,321	296,147
Equity			
Share capital	7	20,003	20,003
Accumulated profits		79,011	62,125
Total equity		99,014	82,128
Current liabilities			
Trade and other payables	8	150,240	197,919
Financial liabilities	9	21,366	2,024
Financial derivatives	10	15,398	12,030
Current tax payable		2,303	2,046
Total liabilities		189,307	214,019
Total equity and liabilities		288,321	296,147

Statement of comprehensive income
Year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Revenue	11	724,575	1,523,612
Cost of sales		(678,041)	(1,493,146)
Gross profit		46,534	30,466
Other income	12	7,438	20,711
Distribution expenses		(25,047)	(46,409)
Administrative expenses		(9,539)	(14,770)
Finance expenses (net)	13	(26)	(1,709)
Profit/(Loss) before tax		19,360	(11,711)
Tax expense	14	(2,474)	(2,819)
Profit/(Loss) for the year	15	16,886	(14,530)
Other comprehensive income		–	–
Total comprehensive income for the year		16,886	(14,530)

Statement of changes in equity
Year ended 31 December 2016

	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
At 1 January 2015	20,003	76,655	96,658
Total comprehensive loss for the year			
Loss for the year	–	(14,530)	(14,530)
Total comprehensive loss for the year	–	(14,530)	(14,530)
At 31 December 2015	20,003	62,125	82,128
At 1 January 2016	20,003	62,125	82,128
Total comprehensive income for the year			
Profit for the year	–	16,886	16,886
Total comprehensive income for the year	–	16,886	16,886
At 31 December 2016	20,003	79,011	99,014

Statement of cash flows
Year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Profit/(Loss) for the year		16,886	(14,530)
Adjustments for:			
Depreciation of property, plant and equipment		7	14
Loss on disposal of property, plant and equipment		–	4
Gain from change in fair value of trading inventories		(9,972)	(27,087)
Loss from change in fair value of derivative financial instruments		8,301	14,912
Inventories written off		–	15,440
Impairment loss on loans and receivables		–	3,571
Interest income		(316)	(146)
Interest expense		342	1,855
Tax expense		2,474	2,819
		17,722	(3,148)
Changes in working capital:			
Trading inventories		(32,444)	109,761
Trade and other receivables		51,480	204,791
Trade and other payables		21,435	(135,683)
Financial derivatives		8,301	14,912
Cash generated from operations		66,494	190,633
Taxes paid		(2,217)	(1,417)
Net cash generated from operating activities		64,277	189,216
Cash flows from investing activities			
Interest received		316	146
Purchase of property, plant and equipment		(2)	(2)
Net cash generated from investing activities		314	144
Cash flows from financing activities			
Amounts due to shareholders (non-trade)		(76,896)	(59,787)
Amounts due from/(to) affiliated corporations (non-trade)		3,531	(26,319)
Interest paid		(342)	(1,855)
Proceeds from/(Repayment of) financial liabilities		19,342	(143,776)
Net cash used in financing activities		(54,365)	(231,737)
Net increase/(decrease) in cash and cash equivalents		10,226	(42,377)
Cash and cash equivalents at 1 January		99,459	141,836
Cash and cash equivalents at 31 December	6	109,685	99,459

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on

1 Domicile and activities

Daxin Petroleum Pte Ltd (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 65 Chulia Street, #41-08, OCBC Centre, Singapore 049513.

The principal activity of the Company is to trade in petroleum products, petrochemicals and crude oil.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars, which is the Company's functional currency. All financial information presented in United States dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are included in Note 3.4 on impairment of non-derivative financial assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 16.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 16 – Financial instruments

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the profit or loss.

3.2 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fixtures	-	3 years
Office equipment	-	3 years
Motor vehicles	-	6 years
Renovation	-	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.3 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables and bank borrowings.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

The Company holds derivative financial instruments to hedge its commodity price risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit or loss.

3.4 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at a specific asset level. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.6 Trading inventories

Inventories, comprising trading commodities, are remeasured at the reporting date based on prevailing fair value less costs to sell and the resultant unrealised gains or losses are recognised in profit or loss.

3.7 Interest-free loan from shareholders

The amount due from shareholders is non-trade in nature, unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the shareholder's net investment in the Company, it is stated at cost.

3.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.10 Revenue recognition

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sales.

3.11 Finance income and finance costs

Interest income

Interest income is recognised in the profit or loss as it accrues, using the effective interest rate method.

Interest expense

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.13
New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these financial statements. The Company is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Company. The Company does not plan to adopt these standards early. Those new standards, amendments to standards and interpretations are set out below.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Company on January 2018 and *FRS 116 Leases* on January 2019.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

- FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

4 Property, plant and equipment

	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Renovation US$'000	Total US$'000
Cost					
At 1 January 2015	261	124	622	152	1,159
Additions	–	2	–	–	2
Disposals	–	–	(25)	–	(25)
At 31 December 2015	261	126	597	152	1,136
Additions	–	2	–	–	2
Disposals	–	–	–	–	–
At 31 December 2016	261	128	597	152	1,138
Accumulated depreciation					
At 1 January 2015	259	124	590	152	1,125
Disposals	–	–	(21)	–	(21)
Depreciation charge for the year	1	1	12	–	14
At 31 December 2015	260	125	581	152	1,118
Disposals	–	–	–	–	–
Depreciation charge for the year	1	1	5	–	7
At 31 December 2016	261	126	586	152	1,125
Carrying amounts					
At 1 January 2015	2	–	32	–	34
At 31 December 2015	1	1	16	–	18
At 31 December 2016	–	2	11	–	13

5 Trade and other receivables

	Note	2016 US$'000	2015 US$'000
Trade receivables		56,490	100,328
Amounts due from affiliated corporations, trade		10,743	22,290
Amounts due from affiliated corporations, non-trade		9	4,059
Advances to suppliers	(i)	20,377	21,542
Margin deposits with brokers		14,527	12,326
Deposits		423	594
Advances to employees	(ii)	183	147
Sundry receivables		48	36
Loans and receivables		102,800	161,322
Less allowance for doubtful receivables		(7,102)	(9,852)
		95,698	151,470
Prepayments		255	13

95,953	151,483

(i) In the ordinary course of business, the Company extends advances to suppliers to secure future deliveries. These advances are unsecured, interest-free and set off against future billings from the suppliers.

(ii) The advances to employees are unsecured, interest-free and are repayable on demand.

The Company's exposure to credit and currency risks, and impairment losses related to loans and receivables are disclosed in Note 16.

6 Cash and cash equivalents

	2016 US$'000	2015 US$'000
Cash at bank and in hand	76,402	83,413
Fixed deposits	33,283	16,046
Cash and cash equivalents in the statement of cash flows	109,685	99,459

The weighted average effective interest rates per annum relating to cash and cash equivalents at the balance sheet date is 0.31% (2015: 0.25%). Interest rates reprice at intervals of 1 month.

7 Share capital

	No. of shares	
	2016 ('000)	2015 ('000)
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	67,000	67,000

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

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor, bank and market confidence and to sustain future development of the business.

The capital structure of the Company consists of (i) debt, which includes borrowings disclosed in Note 9, (ii) equity attributable to equity holders of the Company, comprising issued capital, accumulated profits and (iii) amounts due to shareholders (Note 8).

The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity, excluding minority interest. The Board of Directors also monitors the level of dividends to ordinary shareholders taking into account the working capital requirements of the Company to finance its business. The Company funds its operations and growth through a mix of equity, shareholder loans and debts. This include the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

8 Trade and other payables

	Note	2016 US$'000	2015 US$'000
Trade payables	(i)	89,710	64,612
Amounts due to affiliated corporations (non-trade)	(ii)	16	535
Amounts due to shareholders (non-trade)	(ii)	53,344	130,240
Advances from customers		2,912	558
Other payables		5	553
Accrued expenses		4,253	1,421
		150,240	197,919

(i) Included in trade payables are demurrage claims payable of US$2,104,056 (2015: US$2,524,423).

(ii) The non-trade amounts due to affiliated corporations and shareholders are unsecured, interest-free and repayable on demand.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 16.

9 Financial liabilities

	2016 US$'000	2015 US$'000
Unsecured bank loans	8,900	–
Trust receipts	12,466	2,024
	21,366	2,024

The unsecured bank loans and trust receipts mature within three month from the end of the financial year and bear interest from 2.15% to 2.55% (2015: 1.17% to 1.34%) per annum.

10 Financial derivatives

	2016 US$'000	2015 US$'000
Positive fair value adjustment arising from derivative financial instrument	11,700	16,633
Negative fair value adjustment arising from derivative financial instrument	(15,398)	(12,030)
	(3,698)	4,603

The table below sets out the principal/notional amounts and the positive and negative fair values arising from the revaluation of futures commodities contracts and commodity forward contracts at the reporting date. The resultant unrealised gains and losses are included in other losses (net) for the year.

	Principal/ notional amount US$'000	Positive fair value US$'000	Negative fair value US$'000
2016			
Futures commodities contracts	148,691	10,761	(10,164)
Commodity forward contracts	125,153	939	(5,234)
	273,844	11,700	(15,398)
2015			
Futures commodities contracts	61,393	7,263	(9,198)
Commodity forward contracts	114,016	9,370	(2,832)
	175,409	16,633	(12,030)

11 Revenue

Revenue comprises income from sale of petroleum and petrochemical products.

12 Other income

	2016 US$'000	2015 US$'000
Exchange gain, net	650	309
Gain from change in fair value of trading inventories	9,972	27,087
Net change in fair value of derivative financial instruments - unrealised	(8,301)	(14,912)
Net change in fair value of derivative financial instruments - realised	2,477	5,600
Management fee income	2,640	2,631
Loss on disposal of property, plant and equipment	–	(4)
	7,438	20,711

13 Finance expenses (net)

	2016 US$'000	2015 US$'000
Interest income:		
- fixed deposits	316	146
Interest expense:		
- bank loans and trust receipts	(342)	(1,855)

(26)	(1,709)

14 Tax expense

	2016 US$'000	2015 US$'000
Current tax expense		
Current year	2,474	2,046
Under provision in respect of prior year	–	773
Current year	2,474	2,819

Reconciliation of effective tax

	2016 US$'000	2015 US$'000
Profit/(Loss) before tax	19,360	(11,711)
Tax calculated using Singapore tax rate of 17% (2015: 17%)	3,291	(1,991)
Tax exempt income	(19)	(19)
Income not taxable for tax purpose	(154)	–
Expenses not deductible for tax purposes	51	4,376
Effect of concessionary tax rate *	(690)	(310)
Under provision in respect of prior year	–	773
Others	(6)	(10)
	2,474	2,819

* The Company has been awarded the Global Trader Programme ("GTP") incentive with effect from 1 June 2010 for a period of 5 years. This incentive has been renewed for another 5 years with effect from 1 June 2015. Under the GTP incentive, incomes derived from qualifying trading transactions in approved products by the Company are taxed at the concessionary rate of 10% (2015: 10%). Non-GTP income is taxable at the normal statutory tax rate of 17% (2015: 17%).

15 Profit/(Loss) for the year

The following items have been included in arriving at profit/(loss) for the year:

	2016 US$'000	2015 US$'000
Advance to suppliers written off	–	1,832
Contributions to defined contribution plans	167	139
Depreciation of property, plant and equipment	7	14
Impairment loss on loans and receivables	–	3,571
Inventories written off	–	13,608
Operating lease expense	497	636
Staff costs	6,127	5,507
Write back of impairment loss on loan and receivables	(906)	(518)

16 Financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Exposure to credit, commodity price, interest rate and foreign currency risks arises in the normal course of the Company's business. The Company has risk management policies and guidelines that set out its overall business strategies, its tolerance of risk and general risk management philosophy and has established processes to monitor and control its exposure to such risks in a timely manner. The Company reviews its risk management processes regularly to ensure the Company's policy guidelines are adhered to.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Sales of products and services are made to customers with an appropriate credit history. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instrument, in the statement of financial position. There was no significant concentration of credit risk except for receivables from 5 (2015: 5) debtors which accounted for 47% (2015: 44%) of the Company's outstanding loans and receivables.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure.

Impairment losses

The ageing of loans and receivables at the reporting date is:

	Gross receivables 2016 US$'000	**Impairment loss 2016 US$'000**	**Gross receivables 2015 US$'000**	**Impairment loss 2015 US$'000**
Not past due	93,169	–	140,407	(424)
Past due 0 –30 days	973	–	8,043	–
Past due 31 – 60 days	64	–	752	–
Past due 61 – 90 days	21	–	50	–
Past due more than 90 days	8,573	(7,102)	12,070	(9,428)
	102,800	(7,102)	161,322	(9,852)

The change in impairment loss in respect of loans and receivables during the financial year is as follows:

	2016 US$'000	**2015 US$'000**
At 1 January	9,852	8,997
Impairment loss recognised in profit or loss	–	3,571
Write back of impairment loss recognised in profit or loss	(906)	(518)
Utilised during the year	(1,844)	(2,198)
At 31 December	7,102	9,852

The Company's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Company's many varied customers. These customers are internationally dispersed.

The impairment loss as at 31 December 2016 relates to several customers where collection is doubtful, mainly due to economic circumstances. The Company's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for impairment losses is inherent in the Company's trade receivables.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

	Carrying amount US$'000	Contractual cash flows within 1 year US$'000
2016		
Non-derivative financial instruments		
Loans and borrowings	21,366	21,468
Trade and other payables*	147,328	147,328
Recognised financial liabilities	168,694	168,796
Derivative financial instruments		
Commodity swap and futures contracts		
Outflow	15,398	15,398
Inflow	(11,700)	(11,700)
	3,698	3,698
	172,392	172,494
2015		
Non-derivative financial instruments		
Loans and borrowings	2,024	2,027
Trade and other payables*	197,361	197,361
Recognised financial liabilities	199,385	199,388
Derivative financial instruments		
Commodity swap and futures contracts		
Outflow	12,030	12,030
Inflow	(16,633)	(16,633)
	(4,603)	(4,603)
	194,782	194,785

* Excludes derivatives (shown separately) and advances from customers

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company's exposure to foreign currency risk was as follows based on account balances in US dollar equivalents:

	31 December 2016			31 December 2015		
	Euro US$'000	**Singapore dollar US$'000**	**Chinese Yuan US$'000**	**Euro US$'000**	**Singapore dollar US$'000**	**Chinese Yuan US$'000**
Trade and other receivables	628	397	10,522	1,475	4,148	–
Cash and cash equivalents	2,807	667	1,642	4,893	680	790
Trade and other payables	(16)	–	(185)	(30)	–	(128)
	3,419	1,064	11,979	6,338	4,828	662

Sensitivity analysis

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2015.

	Profit or loss US$'000
31 December 2016	
Euro	(342)
Singapore dollar	(106)
Chinese Yuan	(1,198)
31 December 2015	
Euro	(634)
Singapore dollars	(483)
Chinese Yuan	(66)

A 10% weakening of US dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to loans and deposits that are short-term in nature.

Sensitivity analysis

A change of 100 basis points in interest rate at reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	100 bp increase US$'000	**100 bp decrease US$'000**
31 December 2016		
Fixed deposits	333	(333)
Loans and borrowings	(214)	214
	119	(119)
31 December 2015		
Fixed deposits	160	(160)
Loans and borrowings	(20)	20
	140	(140)

Commodity price risk

The Company mitigates its exposure to potential commodity price movements through back-to-back contracts or by using commodity derivative contracts to hedge open exposures. Profits or losses made by the Company's traders are also reported to and monitored by Management on a monthly basis.

Sensitivity analysis

Commodities – Oil and soft products

A 5% increase in the underlying commodity prices of oil and soft products at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2016 US$'000	**2015 US$'000**
Profit or loss	(185)	230

A 5% decrease in the underlying commodity prices at the reporting date would have had the equal but opposite effect on the profit or loss shown above, on the basis that all other variables remain constant.

The above analysis on the Company's profit or loss includes the effect of trading inventories measured based on prevailing market prices.

17 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivatives

The fair values of oil and petrochemical swaps and forward exchange contracts (Level 2 fair values) are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Company and counterparty when appropriate.

(ii) Other financial assets/financial liabilities

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The carrying amounts of the non-derivative financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) approximate their fair values because of the short period to maturity.

	Carrying amount				Fair value		
	Loans and receivables US$'000	**Fair value-hedging instruments US$'000**	**Other financial liabilities US$'000**	**Total carrying amount US$'000**	**Level 1 US$'000**	**Level 2 US$'000**	**Level 3 US$'000**
2016							
Financial assets measured at fair value							
Financial derivatives	–	11,700	–	11,700	–	11,700	–
Financial assets not measured at fair value							
Trade and other receivables	95,698	–	–	95,698			
Cash and cash equivalents	109,685	–	–	109,685			
	205,383	11,700	–	217,083			
Financial liabilities measured at fair value							
Financial derivatives	–	(15,398)	–	(15,398)	–	(15,398)	–
Financial liabilities not measured at fair value							
Trade and other payables (*)	–	–	(147,328)	(147,328)			
Financial liabilities	–	–	(21,366)	(21,366)			
	–	–	(168,694)	(168,694)			

	Carrying amount				Fair value		
	Loans and receivables US$'000	Fair value-hedging instruments US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000
2015							
Financial assets measured at fair value							
Financial derivatives	–	16,633	–	16,633	–	16,633	–
Financial assets not measured at fair value							
Trade and other receivables	151,470	–	–	151,470			
Cash and cash equivalents	99,459	–	–	99,459			
	250,929	16,633	–	250,929			
Financial liabilities measured at fair value							
Financial derivatives	–	(12,030)	–	(12,030)	–	(12,030)	–
Financial liabilities not measured at fair value							
Trade and other payables (*)	–	–	(197,361)	(197,361)			
Financial liabilities	–	–	(2,024)	(2,024)			
	–	(12,030)	(199,385)	(199,385)			

(*) Exclude advances from customers.

Offsetting of financial instruments

There are no financial assets and liabilities that are offset in the Company's statement of financial position or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Transfer between Level 1 and 2

There were no transfer between Level 1 and Level 2 of the fair value hierarchy for the year ended 31 December 2016 and 31 December 2015.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 US$'000	2015 US$'000
Within 1 year	367	472
After 1 year but within 5 years	3	80
	370	552

The Company leases a number of office equipment under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date.

19 Related parties

For the purpose of these financial statements, parties are considered to be affiliated to the Company if the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered as key management personnel of the Company.

Key management personnel compensation

Key management personnel compensation comprised:

	2016 US$'000	2015 US$'000
Short-term employee benefits	1,271	886
Post-employment benefits	53	17
	1,324	903

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2016 US$'000	2015 US$'000
Sales to affiliated corporations	(27,000)	(65,079)
Purchases from affiliated corporation	431	5,144
Service fee paid to an affiliated corporation	(23)	1,183
Management fee income	(2,640)	(2,631)