

Name of Company: AP OIL INTERNATIONAL LIMITED

Full Year Financial Statement for the Period Ended 31/12/2006

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

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

Group Income Statements	31/12/06	31/12/05	Change
	S\$'000	S\$'000	%
<b>Revenue</b>	<b>65,475</b>	<b>46,165</b>	<b>41.8</b>
Less Cost of sales	(54,817)	(37,783)	45.1
<b>Gross Profit</b>	<b>10,658</b>	<b>8,382</b>	<b>27.2</b>
Financial income	381	165	130.9
Financial expenses	(857)	(7,698)	(88.9)
Distribution costs	(2,131)	(2,007)	6.2
Administrative expenses	(5,729)	(4,557)	25.7
Other credits / (charges)	4,950	-	n.m
<b>Profit/(loss) before tax</b>	<b>7,272</b>	<b>(5,715)</b>	<b>n.m</b>
Income tax (expenses) / credit	(335)	109	(407.3)
<b>Profit/(loss) for the year</b>	<b>6,937</b>	<b>(5,606)</b>	<b>n.m</b>
Attributable to:			
Equity holders of the company	6,965	(5,557)	n.m
Minority interest	(28)	(49)	(42.9)
	6,937	(5,606)	n.m

n.m not meaningful

\

Notes to Income Statement	31/12/06	31/12/05
	S\$'000	S\$'000
<u>Staff Costs</u>		
Staff costs excluding directors	2,466	2,307
Contributions to defined contribution plan	210	230
	2,676	2,537
<u>Financial Income</u>		
Interest from non-related companies	197	44
Foreign exchange gain	115	86
Other Income	69	35
	381	165
<u>Financial Expenses</u>		
Contract settlement	0	4,279
Provision for bad debts - trade	0	476
Bad debts written off - trade	92	7
Trade advance written off	166	2,717
Interest Expense	599	219
	857	7,698
<u>Depreciation &amp; amortisation</u>		
Depreciation expense	807	792
Goodwill written off / Amortisation of goodwill	-	50
	807	842
<u>Other credits / (charges)</u>		
Gain on disposal of subsidiary	4,899	-
Gain on disposal of plant & equipment	54	-
Others	(3)	-
	4,950	-

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

	Group			Company		
	S\$'000		%	S\$'000		%
	31/12/06	31/12/05	Change	31/12/06	31/12/05	Change
Cash and cash equivalents	9,950	6,820	45.9	3,916	3,119	25.6
Trade and other receivables	6,871	9,091	(24.4)	3,668	7,413	(50.5)
Inventories	4,915	7,345	(33.1)	4,105	4,433	(7.4)
<b>Total current assets</b>	<b>21,736</b>	<b>23,256</b>	<b>(6.5)</b>	<b>11,689</b>	<b>14,965</b>	<b>(21.9)</b>
Investment in subsidiaries	-	-	-	3,877	8,380	(53.7)
Investment in associate	8	8	-	-	-	-
Other investments	8	8	-	8	8	-
Property, plant and equipment	3,026	6,643	(54.4)	1,672	1,066	56.8
Goodwill	409	409	-	-	-	-
<b>Total non-current assets</b>	<b>3,451</b>	<b>7,068</b>	<b>(51.2)</b>	<b>5,557</b>	<b>9,454</b>	<b>(41.2)</b>
<b>Total assets</b>	<b>25,187</b>	<b>30,324</b>	<b>(16.9)</b>	<b>17,246</b>	<b>24,419</b>	<b>(29.4)</b>
Short Term Borrowing	-	9,373	(100.0)	300	10,106	(97.0)
Trade and other payables	4,676	10,219	(54.2)	2,863	4,616	(38.0)
Current tax payable	500	145	244.8	32	32	-
Current portion of long term borrowings	1,883	9	20822.2	1,883	-	n.m
<b>Total current liabilities</b>	<b>7,059</b>	<b>19,746</b>	<b>(64.3)</b>	<b>5,078</b>	<b>14,754</b>	<b>(65.6)</b>
Deferred tax liabilities	89	148	(39.9)	141	141	-
Long term borrowings	1,078	-	n.m	1,078	-	n.m
<b>Total non-current liabilities</b>	<b>1,167</b>	<b>148</b>	<b>688.5</b>	<b>1,219</b>	<b>141</b>	<b>764.5</b>
<b>Total liabilities</b>	<b>8,226</b>	<b>19,894</b>	<b>(58.7)</b>	<b>6,297</b>	<b>14,895</b>	<b>(57.7)</b>
<b>Equity attributable to equity holders of the parent:</b>						
Share Capital	6,606	6,581	0.4	6,606	6,581	0.4
Other reserves	-	(149)	(100.0)	-	25	(100.0)
Retained earnings	10,355	3,390	205.5	4,343	2,918	48.8
	<b>16,961</b>	<b>9,822</b>	<b>72.7</b>	<b>10,949</b>	<b>9,524</b>	<b>15.0</b>
<b>Minority interests</b>	<b>-</b>	<b>608</b>	<b>(100.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>16,961</b>	<b>10,430</b>	<b>62.6</b>	<b>10,949</b>	<b>9,524</b>	<b>15.0</b>
<b>Total liabilities and equity</b>	<b>25,187</b>	<b>30,324</b>	<b>(16.9)</b>	<b>17,246</b>	<b>24,419</b>	<b>(29.4)</b>

n.m – not meaningful

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

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

As at 31-12-06		As at 31-12-05	
Secured	Unsecured	Secured	Unsecured
-	1,883	9	9,373

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

As at 31-12-06		As at 31-12-05	
Secured	Unsecured	Secured	Unsecured
-	1,078	-	-

**Details of any collaterals**

The Group secured borrowings comprise of finance leases which are secured on the plant and equipment.

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

	2006	2005
	\$'000	\$'000
<b>Cash flow from operating activities :</b>		
Profit/(Loss) for the year	6,938	(5,606)
Adjustments for:-		
Goodwill amortization expense	-	50
Depreciation expense	807	792
gain on disposal of subsidiary	(4,899)	-
gain on disposal of plant and equipment	(54)	-
Income tax expenses /(credit)	335	(109)
Product warranty provision	-	(120)
Interest income	(197)	(44)
Interest expense	599	219
Minority interests	(28)	(49)
<b>Operating profit before working capital changes</b>	<b>3,501</b>	<b>(4,867)</b>
Trade and other receivables	1,859	4,046
Inventories	2,226	(2,522)
Trade and other payables	(5,478)	(2,455)
Cash generated from / (used in) operations	2,108	(5,798)
Income tax paid	(11)	(220)
<b>Net cash from / (used in) operating activities</b>	<b>2,097</b>	<b>(6,018)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(1,558)	(1,060)
Proceeds from disposal of plant and equipment	129	10
Increase in investment in associates	-	(8)
Disposal of subsidiaries (see note below)	9,015	-
Interest received	197	44
<b>Net cash from / (used in) investing activities</b>	<b>7,783</b>	<b>(1,014)</b>
<b>Cash flows from financing activities :</b>		
Decrease in finance leases	(9)	(10)
(Decrease) / increase in borrowings	(6,389)	8,877
Interest paid	(599)	(219)
Minority contribution to capital	308	114
<b>Net cash (used in) / from financing activities</b>	<b>(6,689)</b>	<b>8,762</b>
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	<b>(61)</b>	<b>23</b>
<b>Net increase in cash</b>	<b>3,130</b>	<b>1,753</b>
<b>Cash at beginning of year</b>	<b>6,820</b>	<b>5,067</b>
<b>Cash at end of year</b>	<b>9,950</b>	<b>6,820</b>

Note:

During the year the Group disposed the subsidiaries, AP Petrochemical Pte Ltd and AP Petrochemical Vietnam. The transaction was accounted for by the purchase method of accounting based on the management accounts as at 4 August 2006.

The fair value of assets and liabilities disposed are as follows:-

(In \$000)

Cash	26
Trade receivables	361
Inventories	204
Property, plant and equipment	3,970
ST borrowings	(23)
Accrued liabilities	(65)
MI	(805)
Forex	473
Gain on disposal	<u>4,899</u>
Consideration	9,040
Less cash disposed	<u>(25)</u>
Cash flow from disposal	<u>9,015</u>

Represented by:

Cash consideration from proceeds	8,847
Consideration - stocks	338
Consideration - other claims	39
Consideration paid – Vopak claims	<u>(184)</u>
	<u>9,040</u>

The revenue and profit generated by the subsidiaries for the period between 1 January 2006 to 4 August 2006 were as follows:-

Revenue	5,529
Profit before tax	90

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

### Share Capital

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Share Capital</b>				
Balance at beginning of period	6,581	5,265	6,581	5,265
Bonus issue by way of capitalising	-	1,316	-	1,316
Transfer from share premium	25	-	25	-
Balance at end of period	6,606	6,581	6,606	6,581
<b>Share Premium</b>				
Balance at beginning of period	25	1,341	25	1,341
Bonus issue by way of capitalising	-	(1,316)	-	(1,316)
Transfer to share capital	(25)	-	(25)	-
Balance at end of period	-	25	-	25
<b>Revenue Reserves</b>				
Balance at beginning of period	3,390	8,947	2,918	7,175
Net profit for the period	6,965	(5,557)	1,425	(4,257)
Balance at end of period	10,355	3,390	4,343	2,918
<b>Translation Reserves</b>				
Balance at beginning of period	(174)	(180)	-	-
Foreign currencies translation differences	(299)	6	-	-
Disposal of subsidiaries	473	-	-	-
Balance at end of period	-	(174)	-	-
<b>Total equity</b>	<b>16,961</b>	<b>9,822</b>	<b>10,949</b>	<b>9,524</b>

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

There was no change in the Company's issued share capital during the financial year ended 31 December 2006.

As at 31 December 2006, no share options were issued.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

Yes

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

Not applicable.

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

	31.12.06	31.12.05
(i) Based on number of ordinary shares in issue	5.29cents	(4.22) cents
(ii) On a fully diluted basis	5.29 cents	(4.22) cents

Note:

Earnings per share ("EPS") is calculated based on number of ordinary shares of 131,625,000.

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

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

	Group		Company	
	31.12.06	31.12.05	31.12.06	31.12.05
Net asset value per ordinary share based on number of shares in issue at end of year	12.89 cents	7.46 cents	8.32 cents	7.24 cents

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

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

Income Statement

- (i) Group revenue for FY2006 of \$65.5 million was 41.8% higher than that of FY2005. This was mainly due to significant increase in the Company's revenue, 47.1% over that of last year.
- (ii) Gross profit for the FY2006 of \$10.7 million was 27.1% higher than that of previous financial year. The Company and subsidiary, GB Chemicals Pte Ltd (GB) recorded an increase in gross profit of 47.4% and 30.9% respectively. This was because the Company had managed to adjust finished products selling prices as market accepted increase in raw material prices.
- (iii) Increase in distribution costs was mainly due to increased freight charges.
- (iv) Increase in administrative expenses was mainly due to provision for directors' incentive bonuses and legal expenses.
- (v) Financial expenses decreased as compared to that of FY2005. This was because there was a write off of trade advance to a supplier and a one-off settlement paid to a buyer in the previous financial year.
- (vi) Net profit after tax for FY2006 was \$6.9 million of which \$4.9 million was the gain from disposal of subsidiary, AP Petrochemical Pte Ltd.

Balance Sheet

- (i) Total capital and reserves attributable to the Group's equity holders as at 31 December 2006 increased to \$17.0 million from \$9.8 million as at end of FY2005.
- (ii) The decrease in short term borrowings and trade and other payables were due to repayments of banks borrowings and payments to suppliers.
- (iii) The increase in the share capital of the company as at 31 December 2006 as compared to 31 December 2005 was due to reclassification of the share premium account of \$25,000.

Cash flows

- (i) Cash flow from operation was a net inflow of \$2.1 million due to lower inventories, lower trade receivables and net profit from operations.
- (ii) Net cash from investing activities of \$7.8 million was due to proceeds from disposal of a subsidiary.
- (iii) Net cash used in financing activities for the year was attributed to repayment of bank borrowings and payment of interest.

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

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

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

The competitive conditions prevalent in the lubricant manufacturing business are expected to continue to affect earnings contribution from the Group's lubricant business for the next reporting period and the next 12 months. On the other hand, the two subsidiaries companies for the specialty chemicals are likely to continue benefiting from a favorable operating environment.

The Group will actively pursue revenue growth for its core businesses by focusing in markets with growth potential. We are also actively looking for other petroleum & resources related trading businesses.

Barring unforeseen circumstances, the Group's operating performance for FY2007 remains positive.

The directors of AP Oil have proposed a bonus issue of new ordinary shares on the basis of one bonus share for every four existing ordinary shares. The Company will seek approval from SGX and details will be revealed later.

A.I.M. will be investing to expand its production and storage facility while GB Chemicals is also planning to increase its presence in China.

We are also in the process of acquiring another piece of land adjacent to APPV to build a new plant in Vietnam's Dong Nai province.

We are also actively looking for other petroleum and resources related businesses in other parts of Asia including India and Pakistan as well as Africa. Besides these, we are also looking for franchise opportunities in the Middle East and Sri Lanka to expand our markets.

In addition to our current activities, we will also continue to explore new strategic and synergistic opportunities through M&A to grow our business.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

No.

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No final dividend was proposed.

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

	Manufacturing		Trading		Franchising		Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Revenue - external</b>	18,964	15,460	35,660	19,425	10,851	11,280	-	-	65,475	46,165
<b>Results</b>										
Segment result	6,006	5,086	3,603	1,532	1,049	1,764	-	-	10,658	8,382
Financial income									381	165
Financial expenses									(857)	(7,698)
Unallocated Expenses									(7,860)	(6,564)
Other credits / (charges)									4,950	-
Profit before tax									7,272	(5,715)
Income tax (expense) / credit									(335)	109
Net profit after tax									6,937	(5,606)
Minority Interest									28	49
									6,965	(5,557)
<b>Other information</b>										
Segment assets	8,660	20,368	4,858	3,451	924	939	-	-	14,442	24,758
Unallocated assets									10,745	5,566
Consolidated total assets									25,187	30,324
<b>Segment liabilities</b>										
Segment liabilities	2,540	1,570	1,118	10,058	-	-	-	-	3,658	11,628
Unallocated liabilities									4,568	8,266
									8,226	19,894
Capital expenditure	1,097	974	457	-	-	-	4	86	1,558	1,060
Depreciation expense	719	608	60	58	-	-	28	126	807	792
Amortisation	-	-	-	-	-	-	-	50	-	50

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	Sales revenue by geographical market	
	2006 \$'000	2005 \$'000
South East Asia	45,562	20,708
Indochina and Asia	18,152	10,195
Others	1,761	15,262
	65,475	46,165

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
South East Asia	20,064	16,268	1,558	347
Indochina and Asia	924	9,779	-	713
Others	4,199	4,277	-	-
	25,187	30,324	1,558	1,060

#### 14. A breakdown of sales and profit

	Group		
	S\$'000		%
	Latest period	Previous corresponding period	Increase/ (Decrease)
Sales reported for first half year	34,819	18,982	83.4
Operating profit reported for first half year	1,809	264	585.2
Sales reported for second half year	30,656	27,183	12.78
Operating profit reported for second half year	5,128	(5,870)	n.m

n.m not meaningful

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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest full year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	-	-
Preference	-	-
Total:	-	-

BY ORDER OF THE BOARD

Dr Ho Leng Woon  
Chairman  
22/02/07