Ohwa Energy 欧华能源

OUHUA ENERGY HOLDINGS LIMITED

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OUHUA ENERGY HOLDINGS LIMITED

RAISING OUR CAPABILITIES, RISING TO THE CHALLENGE

2018 ANNUAL REPORT

OUR MISSION.

WE BELIEVE IN PROVIDING SAFE AND ENVIRONMENTALLY-FRIENDLY ENERGY, AND SO WE ENVISION TO ESTABLISH AN INTERNATIONALLY RENOWNED ENTERPRISE, AND BUILD AN INTEGRATED ENERGY BRAND FOR A WORLD OF SUSTAINABLE ENERGY.

CONTENTS.

CORPORATE PROFILE

Ouhua Energy Holdings Limited ("Ouhua Energy" or the "Company", and together with its subsidiaries, the "Group") is one of the leading importers of liquefied petroleum gas ("LPG") in the People's Republic of China ("PRC") in terms of quantity. Ouhua Energy is strategically based in Chaozhou City, Guangdong Province, the "Ceramics Capital" of the PRC. Production of ceramics relies heavily on LPG.

Ouhua Energy captures about 40% of the local market share. In addition to importing most of the raw materials, namely butane and propane, from overseas suppliers and processing these into LPG, it also directly purchases LPG from domestic refineries for sale to customers across the PRC, and exports to Vietnam, the Philippines and Thailand in Southeast Asia. Ouhua Energy is equipped with a comprehensive suite of production facilities, including over 100,000 cubic metres of LPG storage facilities, and a current annual LPG production capacity of 900,000 tonnes. These facilities are well located in a prime waterfront area supported by wharves that enable the Group to serve diverse markets beyond a geographical radius of 500 kilometres by land and 300 kilometres across the sea.

As a licenced tier-one LPG distributor, the Group is focusing its efforts on developing the LPG retail chain, including the construction of urban gas pipeline system. Moving towards a green, low-carbon emission economy environment, LPG is a clean energy and can be widely used in commercial vehicles. The Group is also committed to exploring the market in LPG-filling gas stations and the production of dimethyl ether ("DME"), to further integrate advanced technology into its operations and extend the product chain which utilises the same raw materials to ensure that it retains a competitive position in imports.

The strong emphasis on product quality, safety, embedded technologies and environmental practices has cemented the Group's distinguished reputation and contributed to a strong customer base. The core values of the business are to seize opportunities which are before us, earn and maintain the trust of our clients, establish a high-value market position, innovate and achieve sustainable development.

CHAIRMAN'S MESSAGE

DEAR ESTEEMED SHAREHOLDERS,

I am pleased to present you the results for the Group's performance for the financial year ended 31 December 2018 ("FY2018"). Despite the resurgence of several macroeconomic challenges taking its toll, the Group was able to mitigate downward pressures and strive onward in the marketplace, and ultimately secured a position of continued profitability in FY2018.

BUSINESS REVIEW

The Group's revenue rose a marginal 2.9% to RMB2.72 billion in FY2018. While an 11% boost in LPG's average sale price bolstered our turnover for the period, this was also offset by a dampening of our sales volume, from 750,876 tonnes in FY2017 to 694,094 tonnes in FY2018. This 7.6% dip in sales volume came about from the cancellation of a long-term service contract with an export customer we deemed disadvantageous, as well as rising competition from alternative energy products.

Despite an increased turnover for the period, our gross profit margin slid from 4.3% to 3.2% in the aftermath of the latest salvoes of the ongoing China-USA trade war. Trade tensions in the LPG sector escalated in August 2018, when the USA imposed tariffs on US$16 billion worth of Chinese goods, and when China responded by levying a 25% tariff on USA oil products, which includes LPG. Consequently, this development assailed the group with a combination of both higher raw material costs and diminished our competitiveness in the international market, and gross profit slid 23.7% to RMB86.73 million in FY2018. After factoring in costs and taxes, the Group registered a net profit of RMB20.60 million for FY2018, as compared to a net profit of RMB36.63 million in FY2017.

OUTLOOK FY2018

At present, a daunting cluster of macroeconomic conditions approach the horizon for FY2019. The International Monetary Fund forecasts global economic growth in 2019 to slow down to 3.7%, while the Chinese government's 2019 projection for economic growth moderates towards the range of 6.0% to 6.5%. Meanwhile, while ratings company S&P Global Platts estimates LPG demand in China to continue to grow 4% in 2019 on the back of new propane dehydrogenation (PDH) plants, this prospect is also in contrast with the 8% growth recorded in 2018. Further compounding these challenges is the emerging possibility of a protracted China-USA trade war. At the time of this annual report, trade negotiations are still ongoing, but it remains unclear when a resolution to the standoff, if any, can be reached.

In spite of the mounting slew of challenges ahead, the Chinese Premier's recently-announced tax cuts may provide some uplift to the industry in the near future. Introduced in a bid to stimulate the Chinese economy, the tax cuts will see VAT (Value Added Tax) for LPG ease from 10% to 9%. While this augurs well for the industry as a whole, the impact arising from this single percentage point of tax reduction may still be somewhat limited. The effective date of the tax cuts has yet to be announced.

Challenges notwithstanding , the Group will continue to seek out new avenues to develop its customer base and further propel its growth in the year ahead.

CHAIRMAN'S MESSAGE

ACKNOWLEDGEMENTS

On behalf of the board of directors of the Company, I would like to thank our customers, business partners and staff for their diverse contributions to the Group. I would also like to express my utmost appreciation for our shareholders, who have shared in our vision to be a preeminent energy player in the field, and whose support has provided the platform for each step of our progress forward.

LIANG GUO ZHAN
Executive Chairman
Ouhua Energy Holdings Limited

主席致辞

尊敬的各位股东：

我很高兴地提呈截至2018年12月31日止财政年度（“2018财年”）的业绩。尽管再度受到许多宏观经济挑战的影响，本集团仍能减缓所面临的下调压力，并在市场内迈进，在2018财年持续赚取盈利。

业务回顾

本集团的总收入在2018财年微微上涨了2.9%，取得人民币27.2亿。虽然总收入凭借着液化石油（LPG）平均价格上升了11%有所增长，但是销售量额却相对下滑互相抵消，由2017财年的750,876吨下降至2018财年的694,094吨。取消了一名我们认为不利于本集团的出口客户的长期服务合同，以及替代能源产品所带来的更大竞争等原因，导致销售额下降了7.6%。

备受中美贸易战所影响，尽管总收入在这期间上调，我们的正毛利率从4.3%下调至3.2%。液化石油贸易的紧张局势在2018年8月加剧恶化，美国对价值160亿美元的中国商品征收关税，而中国也向美国进口的石油产品，当中包括液化石油，征收25%的进口关税。这场战争使得集团面临原料成本上涨，削弱了集团在国际市场的竞争力，导致毛利在2018财年下滑了23.7%，即人民币8,673万元。扣除成本和税款，集团在2018财年录得2,060万元人民币的净利润，相较于2017财年的3,663万元人民币。

展望

现今而言，不利的宏观经济环境笼罩着2019财年。国际货币基金估计2019年的全球经济增长将下降至3.7%，而中国政府则预计2019年的经济增长范围徘徊在6.0% 至 6.5%。普尔全球普氏预计随着新引进的丙烷脱氢(PDH)厂提高生产力,中国LPG的需求在2019年将提高4%， 但仍比不上2018年中国LPG的需求，录得8%的增长。中国经济面临着种种挑战冲击着，中美之间的贸易战也有可能持久发生。截至本年报印刷之时，贸易谈判仍进行着，但至于双方何时能达到协议，仍是未知数。

主席致辞

尽管前景充斥着挑战，中国总理最近宣布减税或许能振兴行业的士气。这项措施能缓和LPG的增值税（VAT）从10%减至9%，刺激中国的经济。虽然这成绩对整体行业是个好兆头，但是此举仅能把增值税降低一个百分点，其效益对提升行业业绩不大。减税的有效日期仍未公布。

尽管未来面临挑战，本集团致力寻求新渠道扩大客户群驱动业务来年的增长。

致谢

我在此代表董事会对我们的客户、业务伙伴和员工们为集团作出的贡献表示衷心感谢。我也要感谢我们的股东对本集团逐步成为一家超群的能源分销商抱有共同的愿景。你们的支持鼓动我们为集团争取更多利润。

梁国湛

执行主席

欧华能源控股有限公司

POISED FOR THE FUTURE

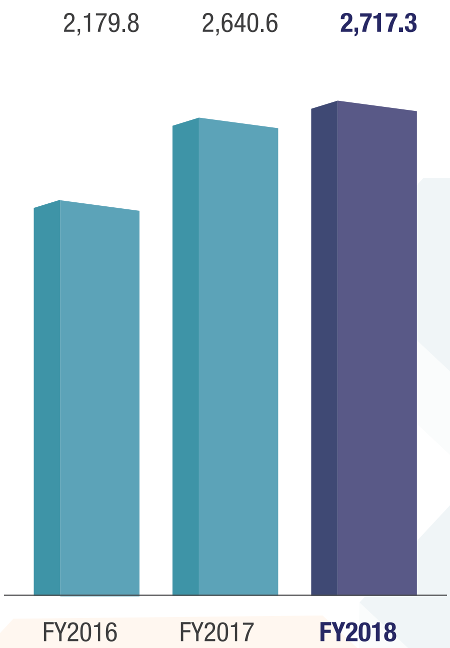
The energy landscape of tomorrow beckons for sustainable energy solutions, and we stand ready to heed the call. As a provider of clean and efficient fuel products, we are well-positioned to deliver on emergent opportunities stemming from the rising demand for greener energy.

CORPORATE STRUCTURE

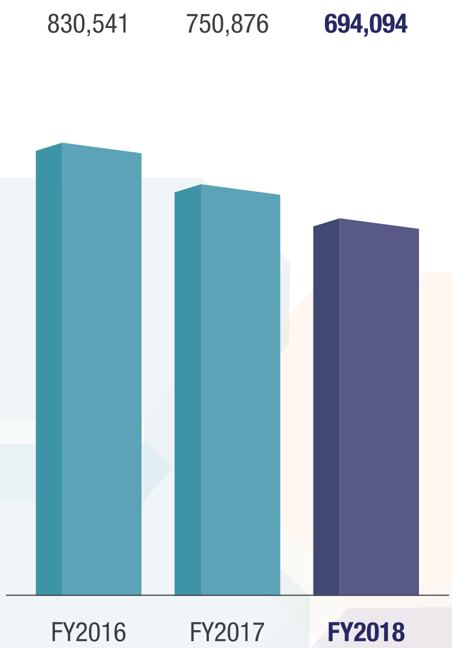
We are cautiously optimistic about both the short-term and the long-term future of our Group due to our Group's ongoing transformation and our focused efforts in capturing opportunities to improve and advance our level of technology.

FINANCIAL HIGHLIGHTS

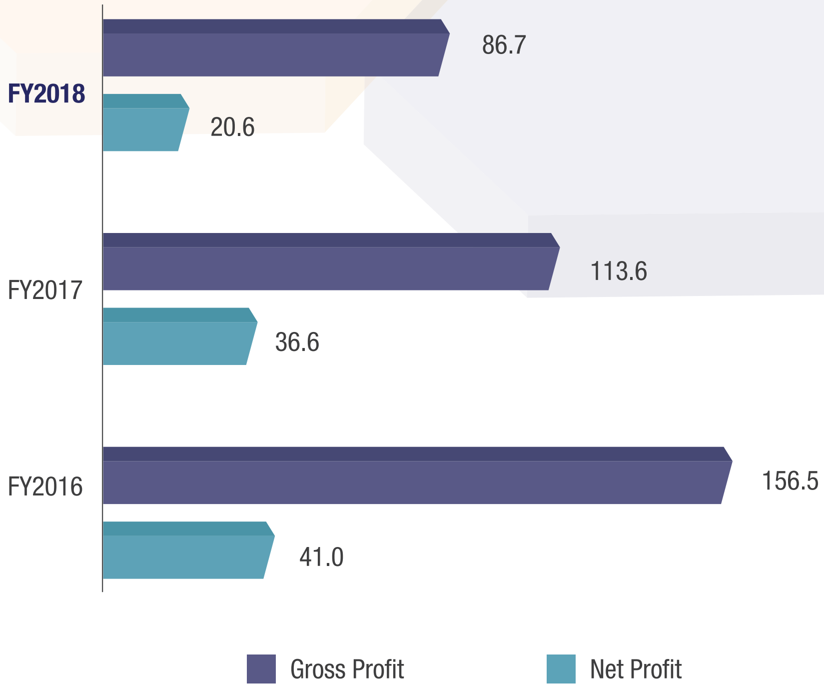
REVENUE
(RMB 'million)



SALES VOLUME
(tonnes)

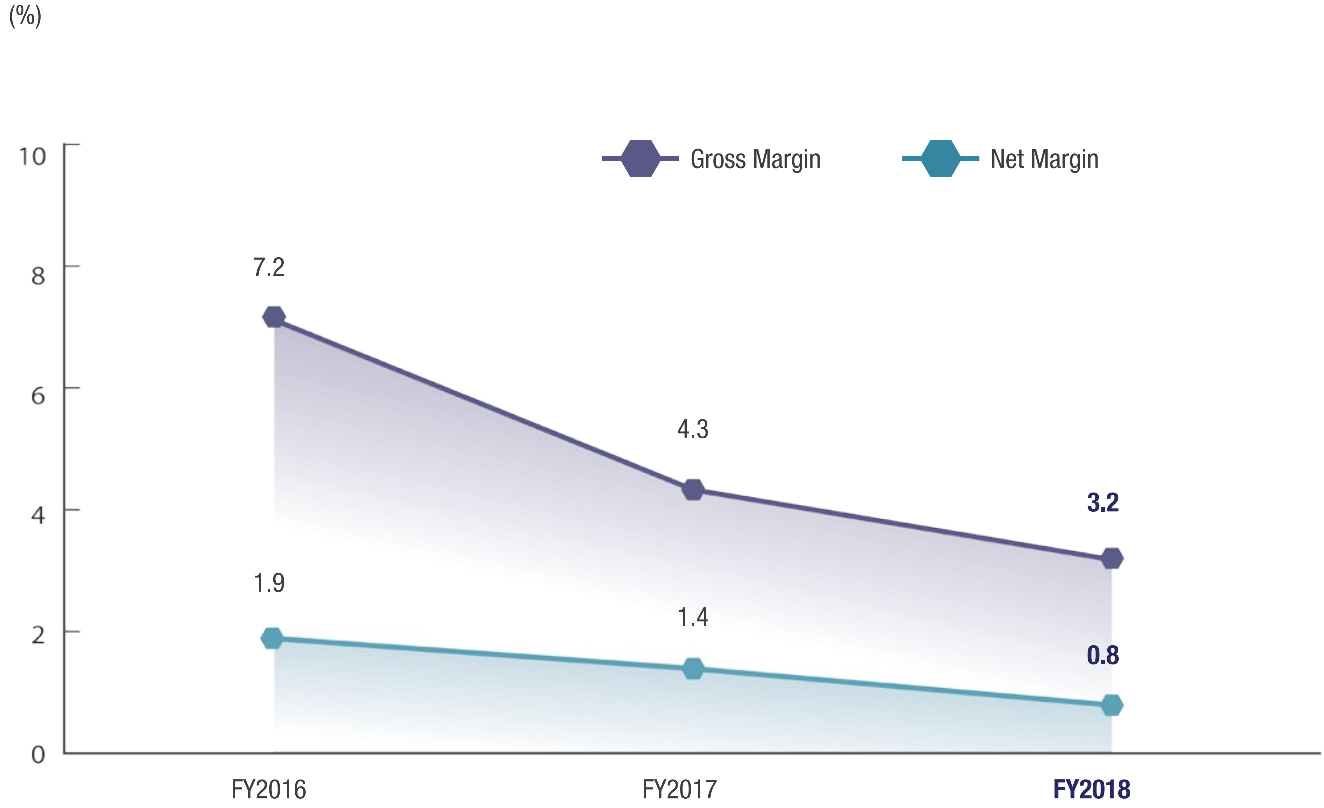


GROSS AND NET PROFITS
(RMB 'million)



FINANCIAL HIGHLIGHTS

PROFIT MARGINS



KEY FINANCIAL RATIO

	FY2016	FY2017	FY2018
Earnings per Share (RMB cents)	10.7	9.6	**5.4**
Gross Margin (%)	7.2	4.3	**3.2**
Net Margin (%)	1.9	1.4	**0.8**
Gearing Ratio (times)	2.5	0.8	**0.8**
NAV (RMB cents)	33.0	42.6	**47.5**

FINANCIAL CALENDAR

	FY2016	FY2017	FY2018
Designed Capacity (tonnes)	900,000	900,000	**900,000**
Weighted Average Design Capacity (tonnes)	900,000	900,000	**900,000**
Actual Output (tonnes)	830,541	750,876	**694,094**
Actual Output (percentage)	92.3	83.4	**77.1**

OPERATIONS REVIEW

OPERATING REVENUE

Despite being beset by a broadened range of adverse conditions in FY2018, the Group was able to stand firm and retained its profitability. The Group's total revenue expanded 2.9% to RMB2.72 billion in FY2018. While sales volume softened by 7.6% year-on-year, in large part due to our discontinuation of an unfavourable long-term service contract with an export customer, total revenue still received an uplift from an 11% boost to LPG's average sale price to RMB3915 per ton in FY2018.

COSTS AND EARNINGS ANALYSIS

The onset of the China-USA trade war wielded erosive effects on the Group's margins, higher purchase costs resulting in our gross profit margin slipping from 4.3% to 3.2%, and gross profit decreasing 23.7% to RMB86.7 million in FY2018.

Other operating income decreased by RMB9.0 million or 51.9% to RMB8.3 million in FY2018. The RMB weakened against the USD in FY2018, creating a loss of RMB8.8 million. Following the increase in services provided by the Group's firefighter team, government subsidy income increased RMB 1.0 million. In FY2018, customer contract liquidated damage income also increased RMB 1.0 million, and there was a fair value gain of RMB 0.2 million on disposal of financial assets.

Operating expenses decreased mainly due to:

i. Selling and distribution expenses having decreased by RMB20.8 million or 41.8% year-on-year, from RMB49.8 million in FY2017 to RMB29.0 million in FY2018. This was brought about largely by a RMB17.8 million decrease in marine freight expenses following the cancellation of the aforementioned service contract. Lower sales volume and cost control measures adopted by the Group also lowered land transport costs and tugboat charges by RMB 1.0 million and RMB 0.9 million respectively.

ii. Administrative expenses having decreased by RMB2.5 million or 11.4% year-on-year, from RMB 21.9 million in FY2017 to RMB 19.4 million in FY2018. Changes in statutory requirements resulted in a reversal of overprovision for embankment fees made in prior years amounting to RMB 3.5 million in FY2018. Also, a loss of RMB 1.1 million on the disposal of financial assets was recognised in FY2017. This was partially offset by an increase of RMB1.3 million in repair cost for our office and warehouse premises, and a RMB 1.3 million increase in manpower costs following our expanded headcount in FY2018.

iii. Other operating expenses having increased by RMB 9.4 million or 108.6% year-on-year, from RMB 8.7 million in FY2017 to RMB18.1 million in FY2018. This was brought about mainly due to a foreign exchange loss of RMB8.8 million in FY2018 after the RMB weakened against the USD, as well as a RMB 1.0 million increase in bank charges from the issuance of trust receipts.

The Group incurred RMB 8.1 million in finance costs in FY2018. In contrast with FY2017's RMB 14.1 million in finance costs, the Group was able to reap a 42.5% reduction in finance costs for FY2018, through the lowering of interest expenses with the repayment of its long-term bank borrowings, coupled together with the Group successfully securing short-term bank loans featuring more favourable interest rates.

Taking into account the aforementioned, the Group was able to retain its profitability and recorded a net profit attributable to equity holders of RMB 20.6 million in FY2018.

FINANCIAL POSITION AND LIQUIDITY

The Group's financial position remained stable through FY2018. Non-current assets decreased by RMB10.4 million or 6.9%, from RMB150.8 million in FY2017 to RMB140.4 million in FY2018. This was mainly due to a RMB15.8 million depreciation of property, plant and equipment, partially offset by the purchase of RMB5.4 million of new equipment.

Current assets decreased by RMB60.8 million or 14.8% from RMB411.5 million in FY2017 to RMB350.7 million in FY2018. This was mainly due to a RMB83.5 million decrease in inventories and a RMB54.6 million decrease in cash and cash equivalents, partially offset by a RMB65.1 million increase in trade and other receivables, a RMB6.9 million increase in the amount due from a related party, a RMB4.2 million increase in pledged fixed deposits, and a RMB 1.1 million increase in margin account with broker.

Current liabilities decreased by RMB31.9 million or 9.4%, from RMB340.9 million in FY2017 to RMB309.0 million in FY2018. This was mainly due to the RMB113.7 million decrease in

OPERATIONS REVIEW

trade and other payables, partially offset by a RMB77.5 million increase in bank borrowings and a RMB 4.1 million increase in amount owing to a related party.

CASH FLOW

The Group reported RMB59.4 million in cash and cash equivalents in FY2018. There was a net cash outflow of RMB53.2 million, mainly due to cash used in operating activities and investing activities, partially offset by net cash generated from financing activities.

Net cash used in operating activities amounted to RMB59.2 million, mainly due to a RMB103.2 million net decrease in working capital, partially offset by a RMB44.0 million profit from operation and RMB0.3 million of interest received. The net decrease in working capital were the results of the RMB113.6 million decrease in trade and other payables and a RMB 6.9 million increase in amount due from related parties, a RMB 65.1 million increase in trade and other receivables, and a RMB1.1 million increase in margin account, partially offset by a RMB83.5 million decrease in inventories.

Net cash used in investing activities amounted to RMB5.4 million was due to purchase of property, plant and equipment.

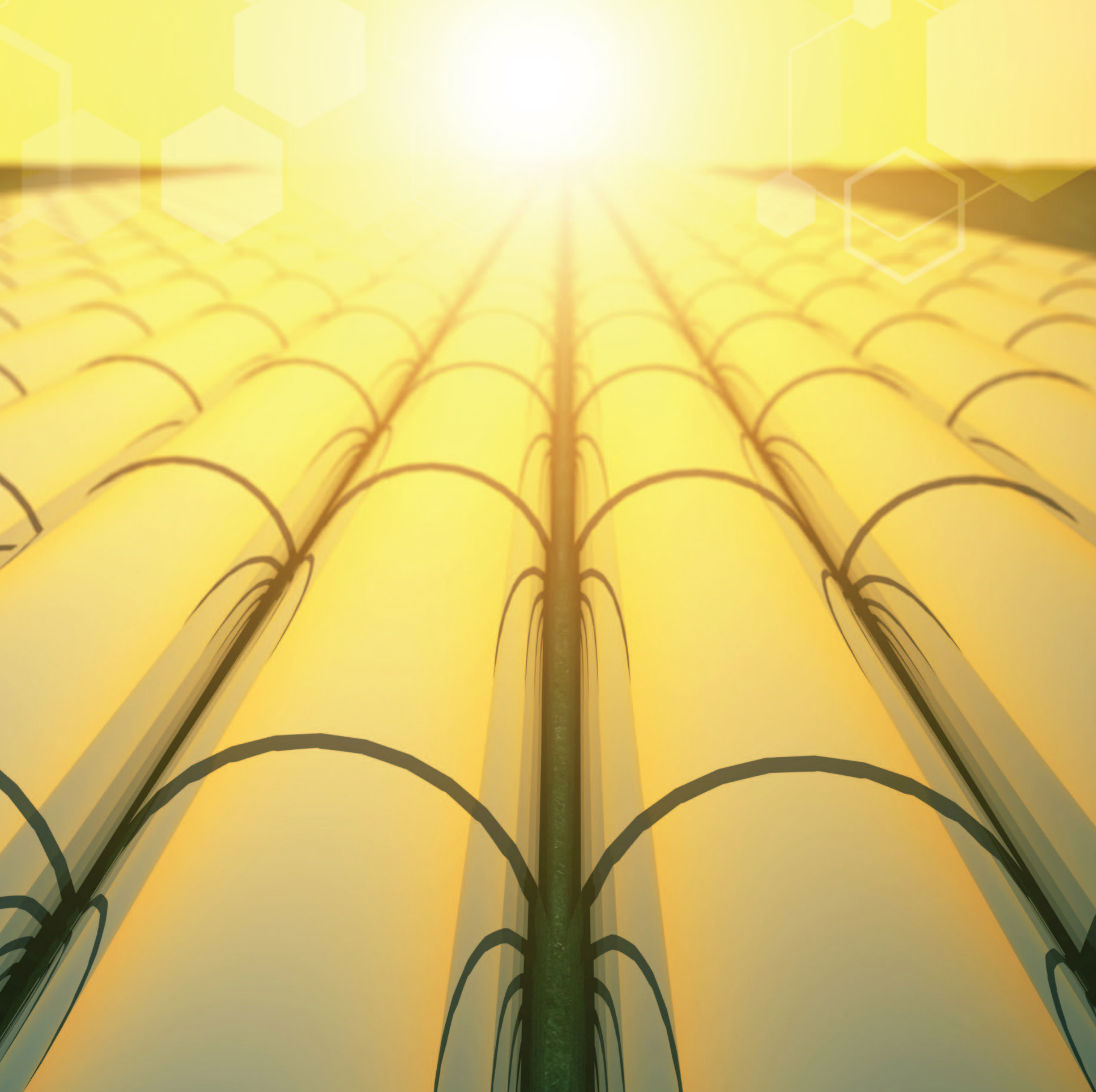
Net cash generated from financing activities amounted to RMB11.1 million, mainly due to net proceeds from RMB11.4 million in bank borrowings and a RMB 3.9 million repayment from a related party, offset by a RMB4.2 million increase in pledged fixed deposits.

CORPORATE SOCIAL RESPONSIBILITY

The Board strongly believes in creating a sustainable business strategy compatible with its growth. The Board is aware of the importance of corporate social responsibility and the impact of its operations on the environment. Therefore, the Group has continuously sought to minimise the impact of its activities through water, paper and energy conservation. The Board encourages the Company's employees to recycle resources and materials across its operations. In addition, the Board emphasises the need to provide and maintain a safe and healthy work environment for the Company's employees. The Company's employees are further required to observe the Group's internal safety rules and regulations which are communicated to them regularly. The sustainability report is a standalone report and the Company is in the midst of preparing it. Upon its completion, the Company will publish it separately from its Annual Report.

FORGING THE PATH FORWARD

Whilst market uncertainties and stiff competition cloud the horizon, we retain confidence in our ability to navigate past these challenges and lay the groundwork for continued success. On this road ahead, our venture for new opportunities will also be complemented with our judicious approach to our spending and risk management.



BOARD OF DIRECTORS

LIANG GUO ZHAN

Executive Chairman

LIANG GUO ZHAN is the founder and Executive Chairman of the Group. As Executive Chairman, he has played a pivotal role in the growth and expansion of our Group. He is currently responsible for the overall management, formulation and implementation of business strategies and investments of our Group. Prior to joining our Group, he was the director and general manager of Chaozhou Huafeng Refining Co., Ltd ("Huafeng Refining"). Prior to establishing Huafeng Refining, he was a director and the general manager of Chaozhou Huafeng (Group) Incorporation Ltd. ("Huafeng Incorporation") from 1997 to 2000, and the general manager of Chaozhou Huafeng (Group) Ltd ("Huafeng Group") from 1994 to 1997. Prior to 1994, he established Chaozhou City Anbu Foreign Investment Services Company in 1992 and a petrol station affiliated to Huafeng Group in Anbu Town, Chaozhou City in 1990.

He obtained a diploma in Business Management from the Beijing Society Academic Institute. He has also completed a corporate strategy and pricing management program conducted by the Cheung Kong Graduate School of Business in January 2005. He is currently the Vice President of Guangdong Oil and Gas Association, President of Chaozhou Gas Industry Association. He was also recognised as one of The world's Top Ten Great Chaozhou Businessman in 2017.

YE TIAN SHUN

Executive Director

YE TIAN SHUN is the Executive Director of our Group and was appointed to the Board on 15 August 2008. He is responsible for overseeing the human resource,safety management and other general administrative functions of our Group. Prior to joining our Group, he was the Director of Huafeng Refining from 2003 to 2006. In Huafeng Refining, he was responsible for the sales and marketing functions. Prior to joining Huafeng Refining, he was the Assistant to the President of Huafeng Group, responsible for the sales and marketing functions from 1999 to 2003.

Prior to 1999, he was working as a Station Manager for Chaozhou Fengxin Chengda Petroleum Gas Storage Station from 1998 to 1999, as a Production Supervisor for Chaozhou Huafeng Petroleum and Warehouse Co., Ltd. from 1996 to 1998, as a Management Personnel for Chaozhou Huaren Shipping Services Co., Ltd. from 1995 to 1996, and as a Engineer for a Hong Kong based company, Yifeng Shipping Services Enterprise Company from 1991 to 1994.

He obtained a degree in Marine Engineering from the Dalian Marine Transportation Institute in December 1990 and a Master of Business Administration from the University of Northern Virginia, USA in June 2005.

BOARD OF DIRECTORS

GERALD YEO

Lead Independent Director

GERALD YEO was appointed on 26 April 2012 as Lead Independent Director of our Company. Mr Yeo is Executive Director of W Atelier Logistics Pte Ltd, a warehouse owner and logistics operator in Singapore. He is also Independent Director of Yang Kee Logistics Pte Ltd and Yang Kee Holdings Pte Ltd in Singapore. He has more than 20 years experience in the banking and finance sector, specialising in international loan syndications and capital markets. He graduated from National University of Singapore with a bachelor degree in Business Administration in 1983.

THAM HOCK CHEE

Independent Director

THAM HOCK CHEE was appointed as an Independent Director of our Company on 1 July 2010. From 1999 to 2001, Mr Tham worked in the Singapore Confederation of Industries as its Secretary General and was responsible for its entire operation and financial matters, including budget and financial control and cash flow management. He was later appointed a Senior Management Consultant in Droege & Comp Singapore Pte Ltd, a German management consulting company from 2002 until 2003. Between 2003 and July 2004, Mr Tham worked as a freelance Management Consultant. He then joined Sitoca Pte Ltd in July 2004 as a Director of business development. Mr Tham left Sitoca Pte Ltd in March 2005 and is now a freelance Management Consultant.

XIONG WEI

Independent Director

XIONG WEI was appointed as an Independent Director of our Company on 13 September 2006. He is currently the Secretary General, and had previously held the position of Deputy Chairman, of the Guangdong Fuel Gas Association, which is involved in the overall management of the infrastructure development, management and supply of fuel gas in the Guangdong Province. Prior to that, from 1996 to 2001, he was the Deputy Chief of the Foshan City Fuel Gas Management Office, involved in the management of the supply of fuel gas. From 1992 to 1996, he had held the positions of the Head of the Technical Department and Head of the Business Development Department with Foshan City Fuel Gas Management Company, where he was primarily involved in the construction of fuel gas pipelines in the region. From 1988 to 1991, he was a member of the Construction Committee in the Foshan City, where he was involved in the supply of fuel gas. Xiong Wei obtained a degree in Urban Fuel Gas Engineering from the Tong Ji University in 1988 and was certified a Civil Engineer by the Foshan City authorities in 1995. He is currently a committee member of the China City Fuel Gas Association and a member of each of China City Coal Gas Institute LPG Professional Committee and Guangdong Fuel Gas Association.

FINANCIAL CONTENTS.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

Ouhua Energy Holdings Limited (the "**Company**") was admitted to the Official List of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 3 November 2006. The company is committed to setting and maintaining a high standard of corporate governance to safeguard the interests of shareholders and enhance shareholders' value.

The Company is committed to complying with the Code of Corporate Governance 2012 (the "**Code**") issued by the Corporate Governance Committee. The Company is pleased to confirm that for the financial year ended 31 December 2018 ("**FY2018**"), it has generally adhered to the principles and guidelines as set out in the Code, except for certain deviations which are explained below.

1. BOARD MATTERS

Board's Conduct of 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 the management to achieve this objective and the management remains accountable to the board.

(i) Apart from its statutory duties and responsibilities, the Board oversees the Management and affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the Executive Directors.

The principal functions of the Board include the following:

(a) approve the Group's key business strategies and financial objectives of the Company, including the review of annual budgets, major investments/divestments, and funding proposals;

(b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met; and

(f) consider sustainability issues (for example, environmental and social factors) in the formulation of its strategies.

The Board discharges its responsibilities either directly or indirectly through various Board committees. These committees (the "**Board Committees**") include the Nominating Committee (the "**NC**"), Remuneration Committee (the "**RC**") and Audit Committee (the "**AC**"). Each of the Board Committees functions within its terms of reference. Authority to make decisions on certain Board matters is delegated by the Board to the Board Committees as described below.

(ii) The Directors have set out internal guidelines on matters and the type of material transactions that require Board approval. The Board meets at least four (4) times a year to review and deliberate on the key activities and business strategies of the Group, including reviewing and approving internal guidelines on materiality of transactions, acquisitions, financial performance, and to endorse the release of the interim and full-year financial results. Additional meetings of the Board may be held to address significant transactions or issues. The Company's Bye-laws allow a Board meeting to be conducted by means of telephone, electronic or other communication facilities.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

The attendance of each Director at every Board and Board Committee meeting held during FY2018 is set out below:-

	Board		AC		NC		RC	
	Number	Attended	Number	Attended	Number	Attended	Number	Attended
Mr Liang Guo Zhan	4	4	-	-	-	-	-	-
Mr Ye Tian Shun	4	4	-	-	-	-	-	-
Mr Tham Hock Chee	4	4	4	4	1	1	1	1
Mr Xiong Wei	4	4	4	4	1	1	1	1
Mr Gerald Yeo @ Yeo Ah Khe	4	4	4	4	1	1	1	1

(iii) The Company is responsible for arranging and funding the training of Directors. Every Executive Director receives appropriate training to develop individual skills in order to discharge his or her duties. The Group also provides extensive information about its history, mission and values to the Directors. Where necessary, the Directors will be updated regarding new legislation and/or regulations which are relevant to the Group.

(iv) Upon the appointment of new Directors, the Director will be provided with a letter which sets out the duties and obligations.

Board Composition and Guidance

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% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

(i) The Board comprises the following Directors, three (3) of whom are non-executive and independent of Management:

Mr Liang Guo Zhan	Executive Chairman
Mr Ye Tian Shun	Executive Director
Mr Gerald Yeo @ Yeo Ah Khe	Non-Executive and Lead Independent Director
Mr Tham Hock Chee	Non-Executive and Independent Director
Mr Xiong Wei	Non-Executive and Independent Director

(ii) The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least half of the Board, since the Chairman and the chief executive officer ("**CEO**") of the Company are both assumed by Mr Liang Guo Zhan, be comprised of Independent Directors is satisfied. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. All the Board Committee meetings are chaired by the Independent Directors.

(iii) Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment. The NC has reviewed and determined that the said Directors are independent. The independence of each Director has been and will be reviewed annually by the NC based on the guidelines set forth in the Code.

(iv) Mr Xiong Wei, our Independent Director has served on the Board beyond nine (9) years from the date of his first appointment as at the end of FY2018. The Board, with the concurrence of the NC, has rigorously reviewed his independence and considered the need for progressive refreshing of the Board, his working experience and contributions. The Board is satisfied that he is independent in character and judgement, and found no reason to understand that the length of his service has in any way dimmed his independence. Given his wealth of business, working experience and professionalism in carrying out his duties, the NC had found Mr Xiong suitable to continue to act as an Independent Director. The Board has accepted the NC's recommendation that Mr Xiong was considered independent.

(v) The Board has examined its size and is of the view that the current Board size of five (5) members is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

(vi) The NC recommends all appointments and retirements of directors. The NC is of the view that the current Board consists of the appropriate mix of expertise and experience to meet the Group's targets. Qualifications and experiences of the Board members are set out in this Annual Report under the heading "Board of Directors". Particulars of interests of Directors who held office at the end of FY2018 in shares in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

(vii) The Independent Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

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.

(i) The roles for both Chairman and CEO of the Company are assumed by Mr Liang Guo Zhan. As such, Mr Liang bears executive responsibility for the Group's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

(ii) Although the roles and responsibilities for Chairman and CEO are vested in Mr Liang, major decisions are made in consultation with the Board which comprises a majority of Independent and Non-Executive Directors. Mr Liang's performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the RC. Both the NC and the RC comprise only the Independent Directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual, including but not limited to the appointment of a Lead Independent Director as elaborated below, in line with the Code's requirements.

(iii) Mr Gerald Yeo @ Yeo Ah Khe has been appointed as the Lead independent Director by the Company. As the Lead Independent Director, he is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman, CEO or Chief Financial Officer ("**CFO**") of the Group has failed to resolve or where such communication is inappropriate. When necessary, the Independent Directors will have discussions amongst themselves as led by the Lead Independent Director.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

(i) The NC comprises three (3) non-executive and independent Directors. The NC is chaired by Mr Tham Hock Chee. The other members are Mr Xiong Wei and Mr Gerald Yeo @ Yeo Ah Khe. The chairman of the NC is not associated in any way with the substantial shareholders of the Company. The NC meets at least once each year and at other times as required.

(ii) The NC is regulated by its Terms of Reference that set out its following responsibilities:

  (a) making recommendations on all Board appointments and re-nominations, having regard to the Director's contribution and performance;

  (b) ensuring that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years;

  (c) determining annually whether a Director is independent;

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(d) deciding whether a Director is able to and has adequately carried out his duties, in particular, where the Director concerned has multiple board representations;

(e) assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board;

(f) the review of board succession plans for Directors;

(g) the review of training and professional development programmes for the Board; and

(h) carrying out such other duties as may be agreed to by the RC and the Board.

(iii) Pursuant to the Company's Bye-Laws, all Directors are required to retire and subject themselves to re-election by shareholders at an Annual General Meeting ("**AGM**") at least once every three (3) years.

(iv) The NC determines the criteria for the appointment of new Directors and sets up a process for the selection and appointment of such Directors, taking into consideration the expertise and experience of each candidate.

(v) The NC determines on an annual basis, and as and when circumstance require, whether or not a Director is independent, for the purposes of the Code. The NC is of the view that Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Xiong Wei are independent.

(vi) In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carried out his duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

(vii) To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than five (5) companies. However, any Directors may hold more than five (5) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account of their individual circumstances, contributions, responsibilities and other principal commitments. Non-Executive Directors may consult the Chairman of the NC before accepting any appointments as Directors. Currently, none of the Directors holds more than five (5) directorships in listed companies.

(viii) The dates of initial appointment and last re-election of each Director, together with their directorships in other listed companies are set out below:

Name	Date of initial appointment	Date of last re-election	Present directorships in other listed companies	Past directorships in other listed companies in preceding three (3) years
Liang Guo Zhan	11 January 2006	29 April 2016	-	-
Ye Tian Shun	15 August 2008	15 June 2017	-	-
Tham Hock Chee	1 July 2010	20 April 2018	China Sports International Limited Abundance International	Sunpower Group Ltd; Sun East Group Limited
Xiong Wei	13 September 2006	20 April 2018	-	-
Gerald Yeo @ Yeo Ah Khe	26 April 2012	15 June 2017	-	-

Mr Liang Guo Zhan and Mr Gerald Yeo @ Yeo Ah Khe will retire at the Company's forthcoming AGM and will be eligible for and attend to re-election.

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(ix) Key information on the individual Directors and their shareholdings in the Company are set out in this Annual Report under the heading "Board of Directors".

Board Performance

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

(i) The NC has implemented a process for the assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. In this respect, the NC shall propose an objective performance criterion which shall be approved by the Board. Such performance criteria should include comparison with industry peers, address how the Board has enhanced long term shareholders' value, and consider the Company's share price performance over a five (5) year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Other performance criteria that may be used include return on assets, return on equity, return on investment, economic value added and profitability on capital employed. These performance criteria should not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify such changes.

(ii) The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record. The individual performance criteria has not been changed since the last financial year.

(iii) The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

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.

(i) Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. The Board is provided with management reports, and papers containing relevant background or explanatory information required to support the decision-making process. Requests for the Company's information by the Board are dealt with promptly.

(ii) Board papers are circulated to the Directors before the scheduled meetings so as to facilitate a better understanding of the issues and to allow for more effective discussion of questions that the Directors may have.

(iii) The Directors have separate and independent access to the Group's senior management and the Company Secretary. The Company Secretary or his colleague attends and prepares minutes of meetings of the Board and the Board Committees, which are circulated. The Company Secretary also assists the Board to ensure that Board procedures are followed and that applicable Singapore rules and regulations (in particular the SGX-ST Listing Manual) are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

(iv) In carrying out their duties, the Directors, whether individually or as a group, have access to independent professional advice, if necessary. Any cost of obtaining such professional advice will be borne by the Company.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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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.

(i) The RC comprises three (3) Non-Executive and Independent Directors. The RC is chaired by Mr Xiong Wei. The other members are Mr Tham Hock Chee and Mr Gerald Yeo @ Yeo Ah Khe. The RC meets at least once each year and at other times as required.

The RC is regulated by its Terms of Reference that sets out its following responsibilities:

(a) recommending to the Board a framework of remuneration for the Board and the key management personnel of the Group;

(b) determining the specific remuneration package for each Executive Director as well as for the key management personnel, covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits in kind. In setting remuneration packages, the RC shall be aware of pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of individual Directors. The remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised;

(c) in the case of service contracts of Directors, reviewing and recommending to the Board the terms of renewal of the service contracts. There shall be a fixed appointment period for all Directors after which they are subject to re-election. The service contracts should not be excessively long or with onerous removal clauses. The RC shall consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination. The RC shall aim to be fair and avoid rewarding poor performers;

(d) submitting recommendations for endorsement by the entire Board;

(e) considering the various disclosure requirements for Directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;

(f) reviewing the Company's obligations arising in the event of termination of the employment of Directors and key management personnel; and

(g) carrying out such other duties as may be agreed to by the RC and the Board.

(ii) Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

(iii) The RC may have access to expert advice regarding executive compensation matters, if required.

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 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.

(i) The remuneration policy for Executive Directors and key management personnel comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and variable bonus that is linked to the performance of the Company and the individual.

(ii) Non-Executive Directors do not have service agreements with the Company. They are each paid a Directors' fee which is determined by the Board and RC based on the effort and time

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spent as well as responsibilities as member of the AC, NC and RC. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Non-Executive Directors do not receive any remuneration from the Company.

(i) According to the respective service agreements of the Executive Directors:-

(a) the service agreement for the Executive Chairman is valid for an initial period of three (3) years commencing from 3 November 2006 and shall be automatically renewed on a year-to-year basis;

(b) the service agreement for Mr Ye Tian Shun is automatically renewed on a year-to-year basis;

(c) the remuneration of the Executive Directors includes a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders;

(d) the service agreement may be terminated by either the Company or the Executive Director giving not less than six (6) months' notice in writing.

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, and performance.

(i) The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximize shareholders' value. The recommendations of the RC on the remuneration of Directors and key management will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

(ii) A breakdown showing the level and mix of the remuneration of each individual Director and key executives in FY2018 is as follows:

Remuneration Band	Base/fixed salary	Variable or performance related income/bonuses	Director's fees	Other benefits
Below S$250,000				
Directors				
Mr Liang Guo Zhan	91%	9%	-	-
Mr Ye Tian Shun	95%	5%	-	-
Mr Xiong Wei	-	-	100%	-
Mr Tham Hock Chee	-	-	100%	
Mr Gerald Yeo @ Yeo Ah Khe	-	-	100%	-
Key Management Personnel				
Mr Fang Shilai	92%	8%	-	-
Mr Lai Shudong	92%	8%	-	-
Ms Li Xueying *	100%	-	-	-
Mr Cheng Weipeng	92%	8%	-	-
Ms Lin Jinjin	94%	6%	-	-

* Ms Li Xueying had, with the Board approval and confirmation, resigned as CFO for personal reasons on 27 August 2018.

Directors' fees are subject to the approval of the shareholders at the forthcoming AGM.

(iii) The Company has not disclosed exact details of the remuneration of each individual Director or key management personnel as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

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(iv) In considering the disclosure of remuneration of the five (5) key management personnel of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the company's interest. The annual aggregate remuneration paid to these five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2018 is RMB 1,120,611.

(v) The Group does not have any employees who are immediate family members of a Director and whose remuneration exceeded S$50,000 during FY2018.

(vi) The Company has not adopted any employee share scheme.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

(i) The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis.

(ii) The management provides all members of the Board with appropriately detailed management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

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.

(i) The Board and the AC acknowledge that the Group's system of internal and operational controls has a key role in the identification and management of risks that are significant to the achievement of its business objectives.

(ii) The AC and Board review the effectiveness of the Group's internal controls, including operational controls regularly at least annually. The Board is responsible for the overall internal control framework. The Board acknowledges that no cost effective internal control system will preclude all errors and irregularities. 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.

(iii) Based on the discussions with the auditors and the management's responses to the auditors' recommendations for improvements to the Group's internal controls, the Board opines, with the concurrence of the AC, that there are adequate controls in place within the Group addressing material financial, operational and compliance risks to meet the needs of the Group in their current business environment.

(iv) The system of internal control and risk management established by our Company provides reasonable, but not absolute, assurance that our Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

(v) The CEO and the CFO have provided assurance that (a) 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) the Company's risk management and internal control systems are effective.

(vi) To further enhance the internal controls of the Company, the Board has also resolved to engage audit professionals to assist in:

(a) setting out a scope of review to review the Company's risk assessment processes,

(b) establishing the internal control framework (Enterprise Risk Management), and

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(c) monitoring of the adequacy and effectiveness of the Company's internal control process via Control Self-Assessment.

Audit Committee

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

(ii) The AC of the Company comprises three (3) non-executive and independent Directors. The AC is chaired by Mr Gerald Yeo @ Yeo Ah Khe. The other members are Mr Tham Hock Chee and Mr Xiong Wei. The AC meets at least four (4) times a year, or more if the circumstances call for it.

The AC performs, *inter alia*, the following key functions:

(a) reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report and their management letter and management's response;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls;

(c) reviewing the effectiveness of the company's internal audit function;

(d) reviewing the Group's financial results and the announcements before submission to the Board for approval;

(e) reviewing significant findings of internal investigations;

(f) recommending to the Board the annual appointment/re-appointment of the external auditors;

(g) reviewing interested person transactions; and

(h) performing other functions as required by law or the Code.

(iii) The profile of the AC members is set out under the heading of "Board of Directors" of the Annual Report. The Board considers that the members of the AC are qualified to discharge the responsibilities of the AC.

(iv) The AC has adopted written terms of reference defining its membership, administration and duties.

(v) The AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management. The AC has full discretion to invite any Director or key executive to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

(vi) The AC will meet with the external auditors, and with the internal auditors, without the presence of the management, at least annually. The AC will annually review, *inter alia*, the independence and objectivity of the external auditors, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors.

(vii) The aggregate amount of audit fees paid to the external auditors in FY2018 was S$162,400. In FY2018, the Business and Risk Consulting division of Mazars LLP was engaged to assist in the drafting of the Sustainability Report amounted to S$ 13,000. Apart from the above, no other non-audit services were rendered by Mazars LLP. The Company confirms that it has complied with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to its auditing firms.

(viii) The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for

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appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

(ix) The external auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

(x) Specifically for the purposes of compliance with the Audit Committee Guide by the Singapore Institute of Directors which covers key concepts, principles and approaches relating to the duties and responsibilities of audit committees of SGX-ST listed companies, and leading practices for the same, the AC adopts the following practices:

(a) The AC ensures that each member understands all sections of the external auditors' report and assesses the impact, if any, on the Company. The AC specifically reviews drafts of such a report prior to its publication as set out in this Annual Report under the heading "Independent Auditors' Report", ensuring no inconsistencies between the report and its own reviews of the same.

(b) The AC ensures that its members understand the external auditors' rationale for the selection of the key audit matters ("**KAM**") highlighted within the external auditors' report, and provides a commentary to communicate its independent views to the shareholders as set out below:

i. Revenue Recognition
The Audit Committee has been concerned over the impact of RMB weakness and tariffs, in view of the US – China trade war, and also continuing volatility of oil prices which have affected the Company's financial performance during the financial year under review. The Committee has been engaging the Management over these geopolitical and market developments by more company visits and meetings to explore some solutions that can be utilized to mitigate these risks. The Committee has reviewed and is satisfied with Mazars' procedures, analyses, tests and inspection results during their external audit in relation to revenue recognition.

ii. Existence of Cash and Bank Balances
The Audit Committee has looked into the reduction in cash and bank balances at the financial year end compared to the previous year and has noted the utilization of cash for the Company's business operations. The Committee has reviewed and is satisfied with the appropriate and adequate actions taken by Mazars in verifying the cash and bank balances as at the end of the financial year, including both written confirmation from the Company's banks and onsite confirmation from the bank staff.

Internal Audit

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

(i) The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Company's assets. The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective.

(ii) The Company has appointed inhouse internal auditors to perform the review and test of controls of the Group's processes including the review of interested person transactions. The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

(iii) The internal auditors report directly to the Chairman of the AC, and meets with the AC at least twice a year for internal audit planning and reporting.

(iv) The AC reviews and approves the annual internal audit plans and reviews the scope and results of the internal audit performed by the internal auditors at least twice a year.

4. 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.

(i) The Board acknowledges that the release of timely and relevant information is crucial for good corporate governance as it is required for shareholders to make informed decisions in respect of their investments in the Company. The Company thus ensures that it informs shareholders of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares, by ensuring that all such material information is accurately disclosed in a timely manner on the SGXNet system.

(ii) The Company puts in place corporate governance practices to promote the fair and equitable treatment of all of its shareholders. The Company ensures that rules in respect of general meetings of shareholders are available to all shareholders, including the voting procedures that govern the general meetings of shareholders. It also ensures that shareholders are entitled to attend the general meetings of shareholders and have the opportunity to participate effectively in and vote at such meetings.

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.

(i) The Company is active in promoting regular, effective and fair communication with its shareholders.

(ii) The Group's CEO and the Independent Directors are entrusted with the responsibility of facilitating communications with its shareholders and analysts and attending to their queries or concerns.

(iii) The Board is mindful of the obligation to keep shareholders informed of all major developments that affect the Group in accordance with the SGX-ST Listing Manual.

(iv) Information is communicated to shareholders on a timely basis through:

(a) annual reports that are prepared and issued to all shareholders within the mandatory period;

(b) public announcements via SGXNet system, the press and analysts;

(c) notices of AGMs; and

(d) the Company's website at http://www.ohwa.com.sg and http://www.listedcompany.com at which shareholders can access information on the Group.

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.

(i) At AGMs, shareholders will be given the opportunity to air their views and ask Directors or management questions regarding the Company. Shareholders will be encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders. The Board supports the Code's principle to encourage shareholders' participation. The Bye-Laws allow a shareholder of the Company to appoint up to two (2) proxies to attend the AGM and vote in place of the shareholder.

(ii) Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by hand and by poll, if required.

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(iii) The members of the AC, NC and RC will be present at the AGM to address the queries relating to the work of these Board Committees. The external auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

(iv) While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. All resolutions are to be voted by poll for general meetings.

(v) 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. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNet.

5. DEALINGS IN SECURITIES

The Company has adopted the best practices on dealings in securities set out in Rule 1207(19) of the SGX-ST Listing Manual and made known the best practices to Directors and officers. In line with the best practices, Directors and officers are not allowed to deal in the Company's shares during the two (2) weeks before the announcement of the Company's results for each of the first three quarters of its financial year and the one (1) month before the announcement of the Company's full year results, or when they are in possession of unpublished price-sensitive information on the Group.

Directors and officers are required to observe the laws on insider trading and are discouraged from dealing in the Company's shares on short-term considerations.

6. INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported on 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 minority shareholders.

It is envisaged that the Group will, in the ordinary course of its business, continue to enter into interested person transactions ("**IPTs**") set out in the Appendix to the Annual Report. Given that the IPTs are expected to be recurrent transactions and to allow the Group to undertake such transactions in a more expeditious manner, shareholders' approval would be required for the renewal of the general mandate for IPTs ("**Shareholders' Mandate**") in accordance with Chapter 9 of the SGX-ST Listing Manual. Please refer to the Appendix to the Annual Report for details on the Shareholders' Mandate.

The aggregate value of interested person transactions entered into during FY2018 is as follows:

Name of interested person	**Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**	**Aggregate value of all interested person transactions (excluding transactions less than $100,000)**
	RMB'000	RMB'000	RMB'000
Chaozhou Huafeng (Group) Incorporation Ltd			
• Lease of LPG transportation vehicles	-	4,802	4,820
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			

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• Sale of LPG	-	181,269	181,269
Chaozhou Huafeng Refining Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	-	3,528	3,528
Guangdong Huafeng Zhongtian LNG Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	3,429	-	3,429

7. MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiary, involving the interest of any Director or controlling shareholder subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.

8. CORPORATE SOCIAL RESPONSIBILITY

The Board strongly believes in creating a sustainable business strategy compatible with its growth. The Board is aware of the importance of corporate social responsibility and the impact of its operations on the environment. Therefore, the Group has continuously sought to minimise the impact of its activities through water, paper and energy conservation. The Board encourages the Company's employees to recycle resources and materials across its operations. In addition, the Board emphasises the need to provide and maintain a safe and healthy work environment for the Company's employees. The Company's employees are further required to observe the Group's internal safety rules and regulations which are communicated to them regularly.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company did not disclose the exact details of the remuneration of each individual Director pursuant to Guideline 9.2 as it was not in the best interests of the Company and employees to do so, due to the sensitive nature of such information. Please refer to Principle 9 (ii) and 9 (iii) of the Corporate Governance Report. (b) Save for the abovementioned deviation, the Company has complied with the rest of the principles and guidelines of the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) Not applicable.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(c) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge. (b) The current composition of the Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Group. The Directors also provide core competencies such as accounting or finance, business or management or legal experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. (c) The NC has put in place a formal and transparent process for all

Year ended 31 December 2018

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
	effectiveness?	appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2018.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a) No new Directors were appointed in FY2018.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(b) Please refer to paragraph 1(iii) of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than five (5) companies. However, any Directors may hold more than five (5) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments.
	(b) If a maximum number has not been determined, what are the reasons?	(b) Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) For the re-appointment of Directors, their competencies as well as their commitment, contribution and performance (including attendance at meetings) during the financial year will be considered.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

Guideline	Questions	How the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least half of the Board be comprised of Independent Directors is satisfied (the Chairman and chief executive officer ("**CEO**") of the Company are assumed by the same person).
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine (9) years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes, Mr Xiong Wei has served on the Board since 13 September 2006 of his initial appointment and NC has carried a rigorous review on his independence.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term	The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

Year ended 31 December 2018

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
	incentives? If not, what are the reasons for not disclosing so?	
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Yes. (b) The annual aggregate remuneration paid to the top five (5) Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2018 is RMB 1,120,611. Please refer to Principle 9(ii) of the Corporate Governance Report.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

Guideline	Questions	How the Company complied?
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. Please refer to Principle 13 of the Corporate Governance Report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The aggregate amount of audit fees amounted to approximately S$162,400 Please refer to Principle 12(vi) of the Corporate Governance Report. (b) Not applicable. The external auditors have not provided any non-audit services to the Company.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report. (b) The Group's CEO and the Independent Directors are entrusted with the responsibility of facilitating communications with shareholders and analysts and attending to their

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2018

Guideline	Questions	How the Company complied?
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	queries or concerns. (c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company did not pay any dividends in FY2018. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group'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.

DIRECTORS' STATEMENT

Year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Ouhua Energy Holdings Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Group and the statement of financial position 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 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended in accordance with International Financial Reporting Standards; and

(ii) 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.

2. Directors

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

Executive directors
Liang Guo Zhan (Executive Chairman)
Ye Tian Shun

Independent non-executive directors
Xiong Wei
Gerald Yeo @ Yeo Ah Khe
Tham Hock Chee

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object 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.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations except as disclosed below:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and company in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
Holding Company:				
(Number of ordinary shares)				
High Tree Worldwide Ltd				
Liang Guo Zhan	100	100	-	-
Company				
Liang Guo Zhan	-	-	220,914,000	220,914,000
Gerald Yeo @ Yeo Ah Khe	150,000	150,000	-	-

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the Register of the Directors shareholdings, the directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

DIRECTORS' STATEMENT

Year ended 31 December 2018

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. Audit Committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Gerald Yeo (Chairman)
Tham Hock Chee
Xiong Wei

The Audit Committee has convened four meetings during the year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its functions:

(i) reviewed the audit plan and results of the external audit, the independence and objectivity of the external auditors, including, where applicable, the review of the nature and extent of non-audit services provided by the external auditors to the Group;
(ii) reviewed the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
(iii) reviewed the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
(iv) reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
(v) reviewed and assessed the adequacy of the Group's risk management processes;
(vi) reviewed and checked the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
(vii) reviewed interested person transactions in accordance with SGX listing rules;
(viii) reviewed the nomination of external auditors and gave approval of their compensation; and
(ix) submitted of report of actions and minutes of the Audit Committee to the board of directors with any recommendations as the Audit Committee deems appropriate.

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

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

Year ended 31 December 2018

7. Auditors

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

On behalf of the directors

LIANG GUO ZHAN
Director

YE TIAN SHUN
Director

29 March 2019

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2018

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Ouhua Energy Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and Company as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 43 to 90.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "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 of our opinion.

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgement in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of audit

For the audit of the current financial year's financial statements, we identified 1 significant component which required a full scope audit of their financial information, either because of their size or/and its risk characteristics.

This significant component was audited by Mazars offices as component auditors under our instructions. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risk of material misstatement, including areas which involve significant judgements and estimates to be made by directors.

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2018

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. 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.

Revenue Recognition **Refer to Note 4 to the financial statements**	
The key audit matter	***Our audit response***
In consideration of the continued volatility in the oil and gas industry coupled with the voluminous transactions in the Group, there is a risk that revenue may be overstated. In addition, in accordance to ISA 240 "The Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements", there is a presumed fraud risk in revenue recognition and the presumption has not been rebutted.	Our audit procedures included, and were not limited to: - tested the design and implementation of the Group's relevant key controls over the revenue recognition; - performed substantive analytical procedures, such as analysing the gross profit margins reported by the Group; - performed test of details which includes inspection of corresponding delivery documents; and - performed cut-off tests.

Existence of Cash and Bank Balances **Refer to Note 18 to the financial statements**	
The key audit matter	***Our audit response***
As at 31 December 2018, the Group reported cash and bank balances of approximately RMB59 million which contributed about 17% of the total current assets. Accordingly, the existence of cash and bank balances was identified as an area of focus.	Our audit procedures included, and were not limited to: - performed all bank confirmations for bank balances (including in-person visits to banks in and via courier service in PRC); - tested interbank transfers against underlying supporting documentation on a sample basis; - reviewed the year end bank reconciliations and tested the accuracy of the closing bank balances; - physically counted the cash on hand balances; and - circularised bank confirmations at various odd dates for PRC banks on a sample basis.

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2018

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this report, 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 IFRS, and for devising and maintaining a system of internal accounting controls sufficient to provide 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 Group's and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group'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 ISA 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 ISA, 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.

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2018

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's abilities 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 Group and 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.

- 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 the directors 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 the directors 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 the directors, 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Lai Keng Wei.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	4	2,717,343	2,640,570
Cost of sales		(2,630,616)	(2,526,925)
Gross profit		86,727	113,645
Other operating income	5	8,352	17,348
Selling and distribution expenses		(28,972)	(49,779)
Administrative expenses		(19,362)	(21,852)
Other operating expenses		(18,053)	(8,655)
Profit from operations		28,692	50,707
Finance costs	6	(8,093)	(14,079)
Profit before income tax expense	7	20,599	36,628
Income tax expense	9	-	-
Profit for the financial year		20,599	36,628
Other comprehensive (loss)/income:			
Components of other comprehensive (loss)/income that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation foreign operations		(1,902)	423
Total comprehensive income for the financial year		18,697	37,051
Earnings per share attributable to owners of the Company (RMB fen per share)			
Basic and diluted	10	5.37	9.56

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENTS OF FINANCIAL POSITION

Year ended 31 December 2018

	Note	Group 2018 RMB'000	Group 2017 RMB'000	Company 2018 RMB'000	Company 2017 RMB'000
Non-current assets					
Property, plant and equipment	11	140,389	150,833	7	-
Investments in subsidiaries	12	-	-	156,277	156,277
Total non-current assets		140,389	150,833	156,284	156,277
Current assets					
Inventories	13	58,576	142,115	-	-
Trade and other receivables	14	148,623	83,491	-	98
Due from a related party	15	58,019	51,116	69	-
Margin deposits	16	3,211	2,123	3,211	2,123
Pledged fixed deposits	17	22,870	18,701	-	-
Cash and cash equivalents	18	59,388	113,987	84	156
Total current assets		350,687	411,533	3,364	2,377
Total assets		491,076	562,366	159,648	158,654
Current liabilities					
Trade and other payables	19	151,372	265,016	4,008	3,771
Due to related parties	15	9,132	5,068	4,448	4,235
Due to a subsidiary	20	-	-	30,277	28,222
Due to a holding company	20	1,716	1,633	1,716	1,633
Bank borrowings	21	144,420	66,910	-	-
Income tax payable		2,317	2,317	-	-
Total current liabilities		308,957	340,944	40,449	37,861
Non-current liabilities					
Bank borrowings	21	-	58,000	-	-
Net assets		182,119	163,422	119,199	120,793
Issued capital and reserves attributable to owners of the Company					
Share capital	22	149,488	149,488	149,488	149,488
Share premium	23	130,298	130,298	130,298	130,298
Statutory reserve	24	15,662	15,662	-	-
Foreign currency translation reserve	25	3,976	5,878	3,976	5,758
Accumulated losses		(117,305)	(137,904)	(164,563)	(164,751)
Total equity		182,119	163,422	119,199	120,793

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Shares premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	149,488	130,298	15,662	5,455	(174,532)	126,371
Profit for the financial year	-	-	-	-	36,628	36,628
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	423	-	423
Total comprehensive income for the financial year	-	-	-	423	36,628	37,051
Balance at 1 January 2018	149,488	130,298	15,662	5,878	(137,904)	163,422
Profit for the financial year	-	-	-	-	20,599	20,599
Other comprehensive loss:						
Exchange differences on translating foreign operations	-	-	-	(1,902)	-	(1,902)
Total comprehensive (loss)/income for the financial year	-	-	-	(1,902)	20,599	18,697
Balance at 31 December 2018	149,488	130,298	15,662	3,976	(117,305)	182,119

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Profit before income tax expense		20,599	36,628
Adjustments for:			
Depreciation of property, plant and equipment		15,817	14,984
Interest income		(313)	(157)
Interest expense		8,093	14,079
Loss on disposal of property, plant and equipment		13	22
Gain on disposal of available-for-sales investments		-	(14)
(Gain)/Loss on disposal of financial assets at fair value through profit or loss		(222)	1,079
Operating profit before movements in working capital		43,987	66,621
Changes in working capital			
Inventories		83,539	16,889
Trade and other receivables		(65,132)	3,207
Due from a related party		(6,903)	35,379
Margin deposits		(1,099)	307
Trade and other payables		(113,644)	107,967
Cash (used in)/generated from operations		(59,252)	230,370
Interest received		313	157
Net cash flows (used in)/generated from operating activities		(58,939)	230,527
Investing activities			
Proceeds from disposal of available-for-sales investments		-	42,014
Purchase of available-for-sales investments		-	(29,900)
Proceeds from disposal of property, plant and equipment		-	*
Purchase of property, plant and equipment	11	(5,386)	(3,043)
Net cash flows (used in)/generated from investing activities		(5,386)	9,071
Financing activities			
Increase in pledged fixed deposits		(4,169)	(741)
Repayment from a related party		3,851	833
Proceeds from bank borrowings		1,131,314	947,006
Repayments of bank borrowings		(1,119,897)	(1,150,136)
Net cash generated from/(used in) financing activities		11,099	(203,038)
Net (decrease)/increase in cash and cash equivalents		(53,226)	36,560
Cash and cash equivalents at beginning of financial year		113,987	77,274
Effect of foreign exchange rate changes in cash and cash Equivalents		(1,373)	153
Cash and cash equivalents at end of financial year	18	59,388	113,987

* Less than RMB1,000

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

Reconciliation of assets/liabilities arising from financing activities

	1 January 2018	Financing cash inflows	Financing cash outflows	Non-cash movements: Interest expense	Non-cash movements: Foreign exchange movement	31 December 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Due to related parties	5,068	3,851	-	-	213	9,132
Due to a holding company	1,633	-	-	-	83	1,716
Bank borrowings	124,910	1,131,314	(1,119,897)	8,093	-	144,420
Assets						
Pledged fixed deposits	(18,701)	-	(4,169)	-	-	(22,870)

	1 January 2017	Financing cash inflows	Financing cash outflows	Non-cash movements: Interest expense	Non-cash movements: Foreign exchange movement	31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Due to related parties	4,496	833	-	-	(261)	5,068
Due to a holding company	1,734	-	-	-	(101)	1,633
Bank borrowings	313,961	947,006	(1,150,136)	14,079	-	124,910
Assets						
Pledged fixed deposits	(17,960)	-	(741)	-	-	(18,701)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Ouhua Energy Holdings Limited ("the Company") is a company incorporated in Bermuda under the Bermuda Companies Act as an exempted company with limited liability. The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Group is located at Long Wan Suo Cheng Town, Raoping County, Guangdong Province, People's Republic of China ("PRC"). The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of investment holding.

The Company's holding company is High Tree Worldwide Ltd., a company incorporated in British Virgin Islands and is wholly-owned by Liang Guo Zhan, Executive Chairman of the Group.

The particulars of the subsidiaries are set out in Note 12 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors of the Company on the date of Directors' Statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Chinese Renminbi ("RMB"), which is the presentation currency of the Group. The functional currency of the Company is United States dollar. As the Group mainly operates in PRC, RMB is used as the presentation currency of the Group and the Company. All financial information presented in RMB has been recorded to the nearest thousand (RMB'000) unless stated otherwise.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

In the current financial year, the Group has adopted all the new and revised IFRS and IFRIC that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The adoption of these new/revised IFRS and IFRIC did not result in changes to the Group's and Company's accounting policies and has no material effect on the current or prior year and is not expected to have a material effect on future periods.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IAS, IFRS and IFRIC issued but not effective

At the date of authorisation of these financial statements, the following IAS, IFRS and IFRIC that were issue but not yet effective:

		Effective date (annual periods beginning on or after)
IAS 19	Amendments regarding plan amendments, curtailments or settlements	1 January 2019
IAS 28	Amendments to IAS 28: Long-term interests in Associates and Joint Ventures	1 January 2019
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 23	Uncertainty over Income Tax Treatments issued	1 January 2019
IFRS 3, 11	Amendments resulting from Annual Improvements 2015–2017 Cycle (business combinations and joint arrangements)	1 January 2019
IAS 12	Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends)	1 January 2019
IAS 23	Amendments resulting from Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalisation)	1 January 2019
IFRS 3	Definition of a Business	1 January 2020
IAS 1, 8	Definition of Material	1 January 2020

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group does not intend to early adopt any of the above new/revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned revised/new standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, Standard Interpretations Committee (“SIC”) 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by IFRS 16 will primarily affect the financial statements of the lessees.

Lessee

IFRS 16 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of “low-value” assets and qualifying short-term leases entered into by lessees can be exempted from the new recognition criteria.

The Company plans to elect to use the exemption proposed by the standard on lease contracts for which the underlying asset is of low value and where the lease is short-term. The Company also plans to elect not to recognise right-of-use assets and lease liabilities of leases for which the lease term ends within 12 months as of 1 January 2019. In the determination of the lease term as a lessee, the Company plans to apply the practical expedient to use hindsight for contracts which contains options to extend or terminate the lease.

NOTES TO
THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. **Summary of significant accounting policies (Continued)**

2.1 Basis of preparation (Continued)

IFRS 16 Leases (Continued)

Preliminarily, based on the currently known and reasonably estimable information relevant to its assessment, as at 1 January 2019, the Company expects an increase in right-of-use assets, an increase in lease liabilities and an increase in beginning accumulated losses. Refer to Note 26 for the operating lease commitment which is approximate financial impact of the IFRS 16. The assessment may change due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases.

2.2 Basis of consolidation

The 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 from then through its involvement with them.

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

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

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

Intra-group assets and liabilities, equity, income, expenses and cashflows 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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 the 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 ("IAS 39")* 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.

2.3 Revenue recognition

The Group is principally in the business of import, processing and wholesale of liquefied petroleum gas. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service generated in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods or service and that is allocated to that performance obligation. The goods or service is transferred when or as the customer obtains control of the goods or service.

<u>Sale of goods</u>

The Group sells a range of products to its customers. Revenue is recognised at a point in time when the control of the goods is transferred to the distributors (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

<u>Rendering services</u>

Income from the tug boat services is recognised at a point in time when the end customer receives the service (i.e. when the service is performed in accordance with the applicable terms and conditions). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.5 Employee benefits

Pursuant to the relevant regulations of the PRC government, the subsidiary in the PRC has participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above.

Contributions under the Scheme are charged to the consolidated profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

2.6 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's and the Company's liabilities for current tax are calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group and the Company are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2. **Summary of significant accounting policies (Continued)**

2.6 Income taxes (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the consolidated profit or loss, except to the extent that they relate to items recognised in consolidated statement of other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in consolidated profit or loss or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense on income in profit or loss, except when they relate to items credited or debited directly to equity in which case the tax is also recognised directly in equity.

2.7 Foreign currency transaction and translation

Foreign currency transactions are translated into the individual entities' respective functional currency at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting financial statements, the assets and liabilities of the Group's and the Company's operations (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the reporting period. 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, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.8 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 expenditure 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 the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

	Annual Depreciation rates
Building and storage	3% - 4.5%
Vessel	5%
Plant and machinery	9%
Motor vehicles	9%
Office equipment	18%
Leasehold improvements	33⅓%

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 vessel is required to undergo planned dry-dockings for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessel is operating. Approximately every 5 years depending on the nature of work and external requirements. These dry-docking costs are capitalised and depreciated on a straight-line basis over the estimated period until the next dry-docking.

The residual value of such components is estimated at nil. The useful life of the dry-docking costs is reviewed at least at each financial year-end based on market conditions and regulatory requirements.

The Group reviews the estimated useful life of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded for reporting period. Changes in the expected level of use of the property, plant and equipment could impact the economic useful life and the residual value of the property, plant and equipment. Any changes in the economic useful life and the residual value could impact the depreciation charge and consequently affect the Group’s results. The residual value is reviewed at each reporting period, with any changes in estimates accounted for as a change in estimate and therefore prospectively.

The residual value of the vessel for the purpose of calculating the annual depreciation expense for the financial year is estimated using the scrap steel price less estimated costs of disposal of a complete vessel with all normal machinery and equipment on board.

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.9 Impairment of tangible assets

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. 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.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

<u>Effective interest method</u>

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 rate 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial instruments from 1 January 2018

These accounting policies are applied on and after the initial application date of IFRS 9, (i.e. 1 January 2018).

Financial assets

Initial recognition and measurement

All financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in IFRS 15 in Note 2.3.

Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification at initial recognition depends on the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group’s business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset’s contractual cash flows are solely payments of principal and interest (“SPPI”) on the principal amount outstanding to determine the classification of the financial assets.

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets held at FVTOCI

A financial asset that is an investment in debt instrument is subsequently measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses are recognised in other comprehensive income, except for impairment gains or losses, foreign exchange gains or losses and interest which are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

Financial assets (Continued)

Financial assets held at FVTOCI (Continued)

At initial recognition, the Group may make an irrevocable election to classify its investment in equity instruments, for which the equity instrument is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3, as subsequently measured at FVTOCI so as to present subsequent changes in fair value in other comprehensive income. The election is made on an investment-by-investment basis.

Upon derecognition, other than the aforementioned equity instruments for which their subsequent cumulative fair value changes would be transferred to accumulated profits, the cumulative fair value changes recognised in other comprehensive income is recycled to profit or loss.

Dividends from equity instruments are recognised in profit or loss only when the Group's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Financial assets at FVTPL

A financial asset is subsequently measured at FVTPL if the financial asset is a financial asset held for trading, is not measured at amortised cost or at FVTOCI, or is irrevocably elected at initial recognition to be designated FVTPL if, by designating the financial asset as FVTPL, eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Gains or losses are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVTOCI. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group uses a practical expedient to recognise the ECL for trade receivables and contract assets, which is to measure the loss allowance at an amount equal to lifetime ECL using an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

While they are not financial assets, contract assets arising from the Group's contracts with customers under IFRS 15 are assessed for impairment in accordance with IFRS 9, similar to that of trade receivables.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 28.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial 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.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial instruments from 1 January 2018 (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables 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. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (see Note 2.4 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial assets before 1 January 2018

All financial assets are recognised on a 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 as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Financial asset at fair value through profit or loss (FVTPL)

A financial asset is classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets before 1 January 2018 (Continued)

Financial asset at fair value through profit or loss (FVTPL) (Continued)

Gains or losses arising from changes in the fair value are recognised in profit or loss. The net gain or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale financial assets ("AFS")

Certain unquoted instruments held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, with the exception of unquoted equity instruments that are not carried at fair value as their fair value cannot be reliably measured, AFS are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve included in profit or loss for the period.

Investment in unquoted instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Loans and receivables

Non-derivative financial assets which have fixed or determined payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statement of financial position comprise trade and other receivables (excluding prepayments, value added tax receivable and advances to supplier), due from related parties, margin deposits, pledged fixed deposits and cash and cash equivalents.

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 and other 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 the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets before 1 January 2018 (Continued)

Impairment of financial assets (Continued)

With the exception of available-for-sale equity instruments, 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 the consolidated 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 respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.12 Margin deposits

Margin deposits consist of cash with brokers and exchanges, to meet initial and variation margin requirements in respect of futures positions on commodities exchanges.

2.13 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and cash in banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

NOTES TO
THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.14 Leases

<u>Operating leases</u>

Lessee

Rentals payable under operating leases are charged to the 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.

Lessor

Rental income from operating leases is recognised 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 use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.15 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 and the Company 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.

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

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the consolidated profit or loss when the changes arise.

2.16 Government subsidies

Subsidies from the PRC government are recognised at their fair values when they are received, or when there is reasonable assurance that the grant will be received and all attached conditions have been complied with.

2.17 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 who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

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

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of its subsidiaries. In determining the functional currencies of the respective entity in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

3.2 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.

(i) Measurement of ECL of trade receivables

The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 31 December 2018 is RMB 899,000 (2017: RMB 899,000) (Note 28).

(ii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments in subsidiaries are impaired. Where necessary, the Company's assessments are based on the fair value less cost to sell of the assets. The Company's carrying amount of investments in subsidiaries as at 31 December 2018 was $156,277,000 (2017: $156,277,000).

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

(iii) Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each financial year to ascertain whether there is an indication of impairment, if such indications are found, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Management judgement is required in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may indicate that the related asset values may not been recoverable; (ii) whether the carrying value of an asset can be supported by the market value or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in estimating the market value of preparing the cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment as at 31 December 2018 was RMB140,389,000 (2017: RMB150,833,000).

(iv) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2018 was RMB140,389,000 (2017: RMB150,833,000).

(v) Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2018 was RMB58,576,000 (2017: RMB142,115,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. **Critical accounting judgements and key sources of estimation uncertainty (Continued)**

3.2 Key sources of estimation uncertainty (Continued)

(vi) Provision for income taxes

The Group mainly has exposure to income taxes in PRC. Due to its inherent nature, judgement is involved in determining the Group's provisions for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be 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 provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payables as at 31 December 2018 was RMB2,317,000 (2017: RMB2,317,000).

4. **Revenue**

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Sale of goods		
- Liquefied petroleum gas ("LPG")	2,601,856	2,260,052
- Propane ("C3")	41,568	134,994
- Butane ("C4")	73,919	245,524
	2,717,343	2,640,570

The disaggregation of revenue from contracts with customers is as follows:

	LPG		C3		C4		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Geographical markets[(a)]								
PRC	2,601,856	2,260,052	-	-	-	-	2,601,856	2,260,052
Asia Pacific	-	-	41,568	134,994	73,919	245,524	115,487	380,518
	2,601,856	2,260,052	41,568	134,994	73,919	245,524	2,717,343	2,640,570

(a) The disaggregation is based on the location of customers from which revenue was generated.

The Group has applied the practical expedient permitted under IFRS 15 for those performance obligations which are part of contracts that have an original expected duration of one year or less.

Contract balances

The following table provides information about contract liabilities from contracts with customers.

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Contract liabilities (Note 19)	(33,212)	(17,811)

Significant changes in the contract liabilities balances during the period are as follows.

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	17,811	41,726
Increases due to cash received, excluding amounts recognised as revenue during the year	(33,212)	(17,811)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

5. Other operating income

	Group	
	2018	2017
	RMB'000	RMB'000
Tug boat service	807	782
Interest income from fixed deposits	313	157
Subsidies from government*	1,020	871
Gain on disposal of available-for-sales investments	-	14
Vessel rental income	4,078	4,078
Gain on disposal of financial assets at fair value through profit or loss	222	-
Foreign exchange gain - net	-	11,446
Liquidated damage claim	1,768	-
Others	144	-
	8,352	17,348

* The subsidies from government related to monetary subsidies received from government agencies in PRC for work place safety, import activities and others.

6. Finance costs

	Group	
	2018	2017
	RMB'000	RMB'000
Interest on trust receipts	6,380	5,613
Interest on bank borrowings	1,713	8,466
	8,093	14,079

7. Profit before income tax expense

In addition to the charges and credits disclosed elsewhere in the financial statements, the above includes the following charges:

	Group	
	2018	2017
	RMB'000	RMB'000
Foreign exchange loss - net	8,793	-
Audit fees paid to auditors		
- Auditors of the Company	529	488
- Other auditors	277	252
Operating lease expenses	7,140	6,519
Depreciation of property, plant and equipment (Note 11)	15,817	14,984
Employee benefit costs (Note 8)	12,351	10,725
Marine freight	16,130	33,931
Loss on disposal of property, plant and equipment	13	22
Loss on disposal of financial assets at fair value through profit or loss	-	1,079

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8. Employee benefits costs

	Group 2018 RMB'000	Group 2017 RMB'000
Salaries, bonuses and allowances	10,423	9,171
Other staff benefits	845	731
Contribution to retirement benefits schemes	1,083	823
	12,351	10,725

Employee benefits costs included the amounts shown as Directors' remuneration in Note 27(b) to the financial statements.

9. Income tax expense

	Group 2018 RMB'000	Group 2017 RMB'000
Current tax	-	-
Reconciliation of effective tax rate is as follows:		
Profit before income tax expense	20,599	36,628
Tax calculated at applicable PRC tax rate of 25% (2017: 25%)	5,150	9,157
Tax effect of non-deductible items	4,131	4,513
Utilisation of deferred tax asset previously not recognised arising from tax losses	(9,281)	(13,670)
Income tax expense	-	-

The Company is incorporated in Bermuda and accordingly exempted from income in the country of incorporation.

At the reporting date, the subsidiary of the Group has unutilised tax losses amounting to RMB67,219,000 (2017: RMB104,341,000) which can be carried forward and used to offset the future taxable income, subject to meeting certain statutory requirements in the country of incorporation. The tax losses will expire in five years from the year it arose. Deferred tax assets are not recognised due to uncertainty of its recoverability.

Tax laws affecting a subsidiary

(i) Foreign investment enterprises income tax rate
With effective from 1 January 2008, the new applicable Corporate Income Tax ("CIT") rate will be 25% for all PRC subsidiaries held by foreign investment.

(ii) Withholding tax on dividends
Under the PRC tax law, dividends received by foreign investors from their investment in Chinese enterprises in respect of profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by a treaty. Pursuant to a tax arrangement between the PRC and Singapore, the investment holding companies established in Singapore are subject to a reduced withholding tax rate of 5% on dividends they received from their PRC subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. Earnings per share

The calculations for earnings per share of the Group are based on:

	2018	2017
Profit attributed to equity holders (RMB'000)	20,599	36,628
Weighted average number of ordinary shares ('000)	383,288	383,288
Basic and diluted earnings per share (RMB fen)	5.37	9.56

Basic earnings per share is calculated by dividing the Group's profit attributed to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share is calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

There is no dilutive potential ordinary share during the financial years 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11. Property, plant and equipment

Group	Buildings and storage RMB'000	Vessel RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost							
Balance at 1 January 2018	185,684	115,000	18,235	4,222	1,629	5,000	329,770
Additions	437	-	156	132	710	3,951	5,386
Reclassification	(1,372)	-	-	-	-	1,372	-
Disposal	-	-	-	-	(13)	-	(13)
Balance at 31 December 2018	184,749	115,000	18,391	4,354	2,326	10,323	335,143
Accumulated depreciation							
Balance at 1 January 2018	113,258	34,914	17,429	2,027	1,485	4,848	173,961
Charged for the financial year	7,796	5,244	308	376	113	1,980	15,817
Disposal	-	-	-	-	*	-	*
Balance at 31 December 2018	121,054	40,158	17,737	2,403	1,598	6,828	189,778
Accumulated impairment losses							
Balance as at 1 January / 31 December 2018	-	4,976	-	-	-	-	4,976
Carrying amount							
At 31 December 2018	63,695	69,866	654	1,951	728	3,495	140,389

* Less than RMB1,000

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11. **Property, plant and equipment (Continued)**

Group	Buildings and storage RMB'000	Vessel RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost							
Balance at 1 January 2017	183,316	115,000	17,854	4,121	1,550	4,930	326,771
Additions	2,368	-	381	145	79	70	3,043
Disposal	-	-	-	(44)	-	-	(44)
Balance at 31 December 2017	185,684	115,000	18,235	4,222	1,629	5,000	329,770
Accumulated depreciation							
Balance at 1 January 2017	105,212	29,670	17,379	1,734	1,465	3,539	158,999
Charged for the financial year	8,046	5,244	50	315	20	1,309	14,984
Disposal	-	-	-	(22)	-	-	(22)
Balance at 31 December 2017	113,258	34,914	17,429	2,027	1,485	4,848	173,961
Accumulated impairment losses							
Balance as at 1 January / 31 December 2017	-	4,976	-	-	-	-	4,976
Carrying amount							
At 31 December 2017	72,426	75,110	806	2,195	144	152	150,833

11. Property, plant and equipment (Continued)

As at 31 December 2018, property, plant and equipment amounting to approximately NIL (2017: RMB113,824,747) was pledged with a bank for banking facilities granted (Note 21).

On 20 May 2008, a subsidiary of the Group, Chaozhou Ouhua Energy Co., Ltd ("Chaozhou Ouhua") entered into a nominee agreement (the "Agreement") with a related party, Chaozhou Huafeng (Group) Incorporation Ltd ("Huafeng Incorporation"), where Huafeng Incorporation agreed to act as the nominee of Chaozhou Ouhua and would register Chaozhou Ouhua's vessel under Huafeng Incorporation's name upon the completion of the construction of the said vessel. The vessel was completed in May 2011.

Management has sought and obtained legal opinion on the Agreement and which affirmed that the Agreement was legally binding between Chaozhou Ouhua and Huafeng Incorporation. Consequently, Chaozhou Ouhua possesses full ownership interest in and retains all the risks and rewards of the vessel.

Upon completion of the vessel in 2011, for vessel licencing purposes, the vessel was required to be registered under both Zhejiang Huachang Marine Transportation Co., Ltd ("Huachang") and Huafeng Incorporation. For this purpose, Huafeng Incorporation with the agreement of Chaozhou Ouhua (the sole legal, beneficial and rightful owner of the vessel), entered into a Transfer of Rights agreement with Huachang where it stated that Huachang does not have any ownership interest in the vessel despite the vessel is co-registered under the name of Huafeng Incorporation and Huachang.

During the current financial year, Chaozhou Ouhua carried out a review of the recoverable amount of its facilities and vessel, no further impairment loss is required.

12. Investments in subsidiaries

	Company	
	2018	**2017**
	RMB'000	**RMB'000**
Unquoted equity investment, at cost	221,417	221,417
Loan to a subsidiary [a]	-	62,860
Less: Allowance for impairment	(65,140)	(128,000)
	156,277	156,277

[a] The loan to a subsidiary forms part of the Company's net investment. In the prior year, the loan was unsecured, interest-free and settlement was neither planned nor likely to occur in the foreseeable future. In the current financial year, the loan to a subsidiary was written off as the management determined that there is no realistic prospect of recovery of the amount.

Details of the subsidiaries are as follow:

Name of subsidiary/ (Principal place of business)	Registered capital	Effective equity held by the Group 2018	Effective equity held by the Group 2017	Principal activities
Chaozhou Ouhua Energy Co., Ltd [1] (PRC)	RMB221,416,000	100%	100%	Import, processing and wholesale of liquefied petroleum gas
Ouhua Energy (Singapore) Pte. Ltd. [2] (Singapore)	S$100	100%	100%	Dormant

[1] Audited by an overseas member firm of Mazars LLP for consolidation purpose.
[2] Audited by Mazars LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13. Inventories

	Group 2018 RMB'000	Group 2017 RMB'000
Raw materials	53,077	130,276
Finished goods	5,499	11,839
	58,576	142,115

Cost of inventories recognised in cost of sales amounted to approximately RMB2,596,637,000 (2017: RMB2,543,813,000) during the financial year.

14. Trade and other receivables

	Group 2018 RMB'000	Group 2017 RMB'000
Trade receivables – third parties	25,086	8,106
Less: loss allowance (Note 28)	(899)	(899)
	24,187	7,207
Prepayments	277	151
Advances to suppliers	121,987	73,547
Value added tax receivable, net	-	47
Staff advances	591	625
Others	1,813	1,953
Less: loss allowance	(232)	(39)
Total trade and other receivables	148,623	83,491

	Company 2018 RMB'000	Company 2017 RMB'000
Prepayments	-	98
Total trade and other receivables	-	98

Trade receivables from third parties, arising from the Group's contract with its customers, are non-interest bearing and are generally on credit term of 10 days (2017: 10 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

The details of the impairment of trade receivables and credit exposures are disclosed in Note 28.

Year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

15. Due from/to related parties

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a related party				
Trade	58,019	51,116	-	-
Non-trade	-	-	69	-
Due to related parties				
Non-trade	9,132	5,068	4,448	4,235

The trade and non-trade amount due from/to related parties are unsecured, interest-free and are repayable on demand.

The carrying amount of due from/to related parties are approximates its fair value.

16. Margin deposits

Margin deposits are placed with an established financial institution for commodity future contracts trading and are non-interest bearing.

The carrying amounts of margin deposits approximate their fair values.

17. Pledged fixed deposits

Fixed deposits at the end of the financial year have an average maturity period of 3 months (2017: 3 months) from the end of the financial year.

Fixed deposits are pledged with financial institutions as security for banking facilities granted to the Group. The effective interest rate for those fixed deposits are at 0.30% (2017: 0.30%) per annum. The carrying amounts of pledged fixed deposits approximate their fair values.

18. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash balances	2,246	1,631	-	-
Bank balances	57,142	112,356	84	156
	59,388	113,987	84	156

The carrying amounts of cash and cash equivalents approximate their fair values.

As at 31 December 2018, the Group has cash and cash equivalents placed with banks in the PRC amounting to RMB57,142,000 (2017: RMB112,356,000). The repatriation of the cash into Singapore is subject to the Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC.

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Year ended 31 December 2018

19. Trade and other payables

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Trade payables	89,876	223,919	-	-
Accrued expenses	5,664	16,404	1,432	1,321
Interest payable	318	-	-	-
Value added tax payable, net	14,824	-	-	-
Advance from customers	33,212	17,811	-	-
Due to a director	2,548	2,450	2,548	2,450
Others	4,930	4,432	28	-
Total trade and other payables	151,372	265,016	4,008	3,771
Add: Due to a related party (Note 15)	9,132	5,068	4,448	4,235
Add: Due to a subsidiary	-	-	30,277	28,222
Add: Due to holding company	1,716	1,633	1,716	1,633
Less: Advances from customers	(33,212)	(17,811)	-	-
Total other financial liabilities at amortised cost	129,008	253,906	40,449	37,861

Trade payables are non-interest bearing and are normally settled on 30 days (2017: 30 days) terms while other payables have an average term of 10 days (2017: 10 days).

Amount due to a director is non-trade in nature, unsecured, interest-free and is repayable on demand.

The carrying amounts of trade and other payables approximate their fair values.

20. Due to a subsidiary and holding company

Amount due to a subsidiary and holding company are non-trade in nature, unsecured, interest-free and are repayable on demand. The carrying amount of amount due to a subsidiary and holding company approximates their fair values.

21. Bank borrowings

	Group	
	2018 RMB'000	2017 RMB'000
Trust receipts	144,420	66,910
Bank loan	-	58,000
	144,420	124,910
Less: Amount due for settlement within 12 months (shown under current liabilities)	(144,420)	(66,910)
Amount due for settlement after 12 months (shown under non-current liabilities)	-	58,000

Trust receipts were secured by pledged fixed deposits (Note 17) and corporate guarantees from related parties and personal guarantee by a director.

As at 31 December 2017, the bank loan was secured by certain property, plant and equipment (Note 11) and corporate guarantees from related parties and personal guarantee from a director. The bank loan was fully repaid in the current financial year.

The average effective borrowing rates for trust receipts and bank borrowings range between 4.72% (2017: 2.82%) and 4.99% (2017: 5.43%) respectively.

The carrying amounts of short-term borrowings approximate their fair values.

Year ended 31 December 2018

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22. Share capital

	Group and Company					
	2018	2017	2018		2017	
	No. of ordinary shares '000	No. of ordinary shares '000	USD'000	RMB'000	USD'000	RMB'000
Authorised (of USD0.05 each)	1,000,000	1,000,000	50,000	390,000	50,000	390,000
Issued and fully paid						
At 1 January and 31 December	383,288	383,288	19,164	149,488	19,164	149,488

The Company has one class of ordinary shares which carry no right to fixed income.

The holders of ordinary shares are entitled to receive dividends as and when declared. All ordinary shares carry one vote per share without restriction.

23. Share premium

	Group and Company			
	2018		2017	
	US$'000	RMB'000	US$'000	RMB'000
At 1 January and 31 December	16,704	130,298	16,704	130,298

Share premium is the capital of the Company raised upon issuing shares that was in excess of the par value of the shares of USD0.05.

24. Statutory reserve

According to the relevant PRC regulations and the Articles of Association of the PRC subsidiary, it is required to transfer 10% of its profit after income tax, as determined under China's General Accepted Accounting Principles, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

There is no movement in the Group's statutory reserve in financial year 2018 and 2017 as the Group's PRC subsidiary is in an accumulated loss position at the end of both financial years.

25. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency. Movement in this account is set out in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

26. Commitments

Operating lease commitments

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises, vessel and other operating facilities are as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Within one year	6,549	6,519
After one financial year but not later than five years	21,968	23,981
After five years	3,746	20,141
	32,263	50,641

Lease for office premises is initially for period of three years with no contingent rentals payments.

The Company's subsidiary, Chaozhou Ouhua Energy Co., Ltd, leases port terminal, land use rights, certain buildings and tugs boats from Chaozhou Huafeng Refining Co., Ltd, a related party, where lease rental is negotiated and fixed for a term of 15 to 20 years under non-cancellable operating lease agreements. In previous financial year, the subsidiary also leased a vessel from another related party. The contract has expired, without renewal, by the end of previous financial year.

27. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

27. Significant related party transactions

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

(a) Sale and purchases of goods and services

	Group	
	2018 RMB'000	2017 RMB'000
Revenue		
Sale of LPG to a related party	181,269	236,308
Expenses		
Lease of port terminals, land use rights, office premises and staff dormitory paid to related parties	(6,957)	(5,108)
Vessel rental paid to a related party	-	(674)
LPG transportation vehicles rental paid to related party	(4,802)	(4,936)
Petrol for car usage paid to a related party	(43)	(60)

(b) Compensation of key management personnel

The remuneration of directors of the Group during the financial year are as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Directors' fees	596	581
Director's salaries	840	751
Post-employment benefits	42	42
	1,478	1,374

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Financial instruments and financial risk

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Note	Group 2018 RMB'000	Group 2017 RMB'000
Loans and receivables			
Trade receivables	14	-	7,207
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	14	-	2,539
Due from a related party	15	-	51,116
Margin deposits	16	-	2,123
Pledged fixed deposits	17	-	18,701
Cash and cash equivalents	18	-	113,987
		-	195,673
Financial assets at amortised cost			
Trade receivables – third parties	14	24,187	-
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	14	2,172	-
Due from a related party	15	58,019	-
Margin deposits	16	3,211	-
Pledged fixed deposits	17	22,870	-
Cash and cash equivalents	18	59,388	-
		169,847	-
Financial liabilities at amortised cost			
Trade payables	19	89,876	223,919
Other payables *(excluding VAT tax payables and advance from customers)*	19	13,460	23,286
Due to a related party	15	9,132	5,068
Due to a holding company	20	1,716	1,633
Bank borrowings	21	144,420	124,910
		258,604	378,816

	Note	Company 2018 RMB'000	Company 2017 RMB'000
Loans and receivables			
Trade and other receivables	14	-	98
Margin deposits	16	-	2,123
Cash and cash equivalents	18	-	156
		-	2,377
Financial assets at amortised cost			
Due from a related party	15	69	-
Margin deposits	16	3,211	-
Cash and cash equivalents	18	84	-
		3,364	-
Financial liabilities at amortised cost			
Trade and other payables	19	4,008	3,771
Due to related parties	15	4,448	4,235
Due to a subsidiary	20	30,277	28,222
Due to a holding company	20	1,716	1,633
		40,449	37,861

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Financial instruments and financial risk (Continued)

The Group's activities expose it to credit risk, liquidity risk, and market risk (including interest rate risk and foreign currency risk). 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 Group management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change 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.

Credit risk

Credit risk refers to the risk that 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 where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of their counterparties' financial condition. The Group does not hold any collateral as security over their customers.

The Group's and the Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, amount due from related parties and pledged fixed deposits.

As at 31 December 2018 and 2017, substantially all the margin deposits, pledged fixed deposits and cash and cash equivalents as detailed in Notes 16, 17 and 18 respectively, are held in major financial institutions which are regulated and located in the PRC, which management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets and contract assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, default of interest due for more than 30 days, but not later than when the financial asset is more than 90 days past due as per IFRS 9's presumption.

The Group has not rebutted the presumption included in IFRS 9 that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Financial instruments and financial risk (Continued)

Credit risk (Continued)

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Counterparty has a low credit risks Note 1 and does not have any past due amounts	12-months ECL
2	Significant increase in credit risk since initial recognition Note 2 or financial asset is > 30 days past due	Lifetime ECL – not credit impaired
3	Evidence indicates that financial asset is credit-impaired Note 3	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
4	Evidence indicates that the management has no reasonable expectations of recovering the write off amount Note 4	Written off

Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In assessing the significance of the change in the risk of default, the Group considers both past due and forward looking quantitative and qualitative information. Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset.

28. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics.

At the reporting date, the Company's trade receivables comprise 1 customer (2017: 1 customer), a related party of the Company, that individually represented more than 70% (2017: 86%) of the carrying amount of total trade receivables. The Company's primary exposure to credit risk arises relating to trade receivables and is limited due to the Company's many varied customers. These customers are engaged in a wide spectrum of industries.

Trade receivables (includes amount due from a related party) (Note 14 and 15)

The Group uses the practical expedient under IFRS 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the customers for the last 3 years prior to the respective reporting dates for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries which its customers operate in.

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there is no reasonable expectations for recovering the outstanding balances.

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28. Financial instruments and financial risk (Continued)

Credit risk (Continued)

The loss allowance for trade receivables are determined as follows:

		Past due				
	Current	1 to 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
31 December 2018						
Expected credit loss rates	0%	0%	0%	0%	91.9%	
Trade receivables (gross) – third parties	24,108	-	-	-	978	25,086
Trade receivables (gross) – related parties	20,133	13,175	19,972	4,739	-	58,019
Loss allowance (including credit impaired)	-	-	-	-	899	899
1 January 2018						
Expected credit loss rates	0%	0%	0%	0%	90.0%	
Trade receivables (gross) – third parties	7,107	-	-	-	999	8,106
Trade receivables (gross) – related parties	21,535	20,407	9,174	-	-	51,116
Loss allowance (including credit impaired)	-	-	-	-	899	899

As of 31 December 2018, the Group recorded amount due from a related party of RMB 58,019,000 (31 December 2017: RMB 51,116,000). The Group assessed the latest performance and financial position of the related party, adjusted for the future outlook of the industry which the related party operates in and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group determined that the ECL is insignificant.

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables, contract assets and other receivables is as follows:

	Trade receivables				
	Third parties			Related party	
Internal credit risk grading	**Note (i)**	**Category 3**	**Total**	**Note (i)**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Loss allowance					
Balance at 1 January 2018	-	899	899	-	-
Financial assets repaid	-	-	-	-	-
Impairment loss recognised	-	-	-	-	-
Balance at 31 December 2018	-	899	899	-	-
Gross carrying amount					
At 1 January 2018	7,207	899	8,106	51,116	51,116
At 31 December 2018	24,187	899	25,086	58,019	58,019
Net carrying amount					
At 1 January 2018	7,207	-	7,207	51,116	51,116
At 31 December 2018	24,187	-	24,187	58,019	58,019

Note (i) For trade receivables, the Group uses the practical expedient under IFRS 9 in the form of an allowance matrix to measure the ECL, where then loss allowance is equal to lifetime ECL.

Comparative information under IAS 39

The Group's impaired trade receivables at 31 December 2017 had a gross carrying amount of RMB 899,000. At 31 December 2017, the trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The trade receivables that are past due for more than 1 year and less than 3 years but not impaired is amounted to RMB100,000 as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Financial instruments and financial risk (Continued)

Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

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

	Group			
Group	**Effective interest rate %**	**Less than 1 year RMB'000**	**2 to 5 years RMB'000**	**Total RMB'000**
Undiscounted financial assets				
Trade receivables – third parties	-	24,187	-	24,187
Other receivables *(excluding prepayment, advance to suppliers and tax receivables)*	-	2,172	-	2,172
Due from a related party	-	58,019	-	58,019
Margin deposits	-	3,211	-	3,211
Pledged fixed deposits	0.3%	22,887	-	22,887
Cash and cash equivalents	-	59,388	-	59,388
As at 31 December 2018		169,864	-	169,864
Trade receivables – third parties	-	7,207	-	7,207
Other receivables *(excluding prepayment, advance to suppliers and tax receivables)*	-	2,539	-	2,539
Due from a related party	-	51,116	-	51,116
Margin deposits	-	2,123	-	2,123
Pledged fixed deposits	0.3%	18,715	-	18,715
Cash and cash equivalents	-	113,987	-	113,987
As at 31 December 2017		195,687	-	195,687
Undiscounted financial liabilities				
Trade payables	-	89,876	-	89,876
Other payables *(excluding VAT tax payables and advance from customers)*	-	13,460	-	13,460
Due to related parties	-	9,132	-	9,132
Due to holding company	-	1,716	-	1,716
Bank borrowings, fixed interest rates	2.90 – 6.00	150,847	-	150,847
As at 31 December 2018		265,031	-	265,031
Trade payables	-	223,919	-	223,919
Other payables *(excluding VAT tax payables and advance from customers)*	-	23,286	-	23,286
Due to related parties	-	5,068	-	5,068
Due to holding company	-	1,633	-	1,633
Bank borrowings, fixed interest rates	1.90 – 6.00	69,586	-	69,586
Bank borrowings, floating interest rates	4.99 – 5.71	-	60,900	60,900
As at 31 December 2017		323,492	60,900	384,392
Total undiscounted net financial liabilities				
- at 31 December 2018		(95,167)	-	(95,167)
- at 31 December 2017		(127,805)	(60,900)	(188,705)

NOTES TO
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Year ended 31 December 2018

28. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

	Company			
	Effective interest rate	Less than 1 year	2 to 5 years	Total
	%	RMB'000	RMB'000	RMB'000
Undiscounted financial assets				
Cash and cash equivalents	-	84	-	84
Margin deposits	-	3,211	-	3,211
Due from a related party	-	69	-	69
As at 31 December 2018	-	3,364	-	3,364
Cash and cash equivalents	-	156	-	156
Margin deposits	-	2,123	-	2,123
Other receivables	-	98	-	98
As at 31 December 2017	-	2,377	-	2,377
Undiscounted financial liabilities				
Trade and other payables	-	4,008	-	4,008
Due to related parties	-	4,448	-	4,448
Due to a subsidiary	-	30,277	-	30,277
Due to holding company	-	1,716	-	1,716
As at 31 December 2018	-	40,449	-	40,449
Trade and other payables	-	3,771	-	3,771
Due to related parties	-	4,235	-	4,235
Due to a subsidiary	-	28,222	-	28,222
Due to a holding company		1,633	-	1,633
As at 31 December 2017	-	37,861	-	37,861
Total undiscounted net financial liabilities				
- At 31 December 2018		(37,085)	-	(37,085)
- At 31 December 2017		(35,484)	-	(35,484)

NOTES TO THE FINANCIAL STATEMENTS

28. Financial instruments and financial risks (Continued)

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for non-derivative instruments at the end of financial year. The sensitivity analysis assumes an instantaneous 10% change in the interest rates from the end of financial year, with all variables held constant.

	Group			
	Consolidated profit or loss		Other component of equity	
	10% increase RMB'000	10% decrease RMB'000	10% increase RMB'000	10% decrease RMB'000
As at 31 December 2018				
Bank borrowings	(36)	36	-	-
As at 31 December 2017				
Bank borrowings	(381)	381	-	-

The Company has no significant exposure to interest rate risk.

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Year ended 31 December 2018

28. Financial instruments and financial risks (Continued)

Market risk (Continued)

Foreign currency risk

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets, mainly cash and cash equivalents, and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. As at the reporting date, the Group and Company do not have significant foreign currency risk exposure except for the financial assets and liabilities denominated in United States dollar ("USD") and the Singapore dollar ("SGD").

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

Group 2018	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Trade receivables – third parties	-	24,187	-	24,187
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	-	2,172	-	2,172
Due from a related party	-	58,019	-	58,019
Margin deposits	3,211	-	-	3,211
Pledged fixed deposits	-	22,870	-	22,870
Cash and cash equivalents	1,747	57,634	7	59,388
	4,958	164,882	7	169,847
Financial liabilities				
Trade payables	89,876	-	-	89,876
Other payables *(excluding VAT tax payables and advance from customers)*	-	9,452	4,008	13,460
Due to related parties	4,448	4,684	-	9,132
Due to a holding company	1,716	-	-	1,716
Bank borrowings	119,420	25,000	-	144,420
	215,460	39,136	4,008	258,604
Net financial (liabilities)/assets	(210,502)	125,746	(4,001)	(88,757)
Less: Net liabilities/(assets) denominated in respective entities functional currency	2,902	(125,746)	-	(122,844)
Currency exposure	(207,600)	-	(4,001)	(211,601)

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28. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Group 2017	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Trade receivables – third parties	-	7,207	-	7,207
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	-	2,539	-	2,539
Due from a related party	-	51,116	-	51,116
Margin deposits	2,123	-	-	2,123
Pledged fixed deposits	-	18,701	-	18,701
Cash and cash equivalents	137	113,831	19	113,987
	2,260	193,394	19	195,673
Financial liabilities				
Trade payables	223,919	-	-	223,919
Other payables *(excluding VAT tax payables and advance from customers)*	-	19,515	3,771	23,286
Due to a holding company	1,633	-	-	1,633
Due to related parties	4,235	833	-	5,068
Bank borrowings	66,910	58,000	-	124,910
	296,697	78,348	3,771	378,816
Net financial (liabilities)/assets	(294,437)	115,046	(3,752)	(183,143)
Less: Net liabilities/(assets) denominated in respective entities functional currency	3,608	(115,046)	-	(111,438)
Currency exposure	(290,829)	-	(3,752)	(294,581)

Company 2018	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Due from a related party	-	69	-	69
Cash and cash equivalents	51	26	7	84
Margin deposits	3,211	-	-	3,211
	3,262	95	7	3,364
Financial liabilities				
Trade and other payables	-	-	4,008	4,008
Due to a subsidiary	-	30,277	-	30,277
Due to a related party	4,448	-	-	4,448
Due to holding company	1,716	-	-	1,716
	6,164	30,277	4,008	40,449
Net financial liabilities	(2,902)	(30,182)	(4,001)	(37,085)
Less: Net liabilities denominated in functional currency	2,902	-	-	2,902
Currency exposure	-	(30,182)	(4,001)	(34,183)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

28. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Company 2017	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Cash and cash equivalents	137	-	19	156
Margin deposits	2,123	-	-	2,123
	2,260	-	19	2,279
Financial liabilities				
Trade and other payables	-	-	3,771	3,771
Due to a subsidiary	-	28,222	-	28,222
Due to a related party	4,235	-	-	4,235
Due to holding company	1,633	-	-	1,633
	5,868	28,222	3,771	37,861
Net financial liabilities	(3,608)	(28,222)	(3,752)	(35,582)
Less: Net liabilities denominated in functional currency	3,608	-	-	3,608
Currency exposure	-	(28,222)	(3,752)	(31,974)

Foreign currency sensitivity analysis

A 10% strengthening of RMB against the following currencies at the end of the financial year would increase or (decrease) consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group			
	Consolidated profit or loss		Other component or equity	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
As at 31 December				
USD	(20,760)	(29,083)	(20,760)	(29,083)
SGD	(400)	(376)	(400)	(376)

29. Fair value of assets and liabilities

The Group does not hold financial assets nor liabilities carried at fair value or at valuation. Accordingly, the disclosure requirements of the fair value hierarchy (Level 1, 2 and 3) under IFRS 7 Financial Instruments: Disclosures does not apply.

NOTES TO THE FINANCIAL STATEMENTS

30. Capital management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 21 and equity attributable to equity holders of the Company, comprising share capital, share premium, statutory reserve, foreign currency translation reserve, and accumulated losses as disclosed in consolidated statement of financial position.

The Group manages its capital structure by making necessary adjustments to it in response to the changes in economic conditions.

The Group and the Company manage capital by regularly monitoring its current and expected liquidity requirements. The Group and the Company are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government for conversion of RMB into foreign currencies.

As disclosed in Note 24, a subsidiary of the Group is required by the relevant PRC regulations to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group also monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total liabilities divided by equity. Total liabilities are sum of "current liabilities" and "non-current liabilities" and equity is "shareholders' equity" as shown in the statements of financial position.

The Group's strategy was to maintain the debt to equity ratio under 1. The debt-equity ratios as at 31 December 2018 and 2017 were as follows:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
Total liabilities	308,957	398,944
Equity	182,119	163,422
Debt to equity ratio	1.70	2.44

The management is continuously considering various measures to improve on the ratio above.

The Group's overall strategy remains unchanged from 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (Note 2.17).

The principal operation of the Group relates almost entirely to the import, processing, storage and distribution of LPG in the PRC and Asia Pacific region. All the non-current assets are located in the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of the markets.

Distribution of total sales by geographical markets:

	Group	
	2018	**2017**
	RMB'000	**RMB'000**
PRC	2,601,856	2,260,052
Asia Pacific	115,487	380,518
	2,717,343	2,640,570

Major customers

The revenues from one customer, which is a related party, of the Group's trading segment represent approximately RMB181,269,000(2017: RMB236,308,000).

Other information relating to segmental results and assets are disclosed in the respective notes to the financial statements.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

Authorised share capital	:	US$50,000,000
Issued share capital	:	US$19,164,400
No. of issued and fully paid shares	:	383,288,000
Class of shares	:	Ordinary shares of US$0.05 each
Voting rights	:	One vote per share

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.05	20	0.00
100 - 1,000	53	2.80	51,300	0.01
1,001 - 10,000	820	43.30	5,920,500	1.54
10,001 - 1,000,000	1,001	52.85	63,533,300	16.58
1,000,001 and above	19	1.00	313,782,880	81.87
Total	**1,894**	**100.00**	**383,288,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Liang Guo Zhan[(1)]	100	nm[(2)]	220,914,000	57.64
High Tree Worldwide Ltd.[(1)]	220,914,000	57.64	-	-
Wang Hua Zhu	21,880,000	5.71	-	-

Note:-

(1) High Tree Worldwide Ltd. is wholly-owned by Liang Guo Zhan, the Executive Chairman of the Company. Liang Guo Zhan is thus deemed to have an interest in the shares held by High Tree Worldwide Ltd.. Such shares are registered in the name of CGS-CIMB Securities (Singapore) Pte Ltd.

(2) Not meaningful.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2019

TWENTY LARGEST SHAREHOLDERS
As at 18 March 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	245,874,780	64.15
2	WANG HUA ZHU	21,880,000	5.71
3	XU RIZHAO	9,023,000	2.35
4	TANG YUAN BO	7,792,000	2.03
5	PHILLIP SECURITIES PTE LTD	6,616,000	1.73
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,277,000	1.12
7	CHAN KHENG ANN	2,000,000	0.52
8	LI KUN	1,791,000	0.47
9	KALINAR INVESTMENTS PTE LTD	1,700,000	0.44
10	CHEN ZEFENG	1,641,000	0.43
11	GAN TIAM SIANG	1,527,500	0.40
12	UOB KAY HIAN PTE LTD	1,513,000	0.39
13	RHB SECURITIES SINGAPORE PTE LTD	1,408,000	0.37
14	OCBC SECURITIES PRIVATE LTD	1,240,000	0.32
15	KIM SENG HOLDINGS PTE LTD	1,190,000	0.31
16	LIM KHENG MOH	1,108,600	0.29
17	GUO SHAO KAI	1,094,000	0.29
18	TAN ENG CHUA EDWIN	1,054,000	0.27
19	LEE LENG LOKE	1,053,000	0.27
20	CHIANG LIEW CHIN NEE YONG LIEW CHIN	900,000	0.23
	TOTAL:	**314,682,880**	**82.09**

FREE FLOAT

Based on the information provided to the Company as at 18 March 2019, approximately 36.62% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

The term “Shareholders” used herein shall refer to registered holders of shares, except where the registered holder is The Central Depository (Pte) Limited, the term shall refer to the depositors whose securities accounts are credited with shares.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of OUHUA ENERGY HOLDINGS LIMITED (the "Company") will be held at Lotus Room, Peninsula Tower, Level 5, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Tuesday, 30 April 2019 at 10 a.m., and at any adjournment thereof (the "Annual General Meeting") for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 together with the report of the Auditors and Directors' Statement. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the following Bye-Laws of the Company:-

   Mr Liang Guo Zhan (Bye-Law 104) **(Resolution 2)**

   Mr Gerald Yeo @ Yeo Ah Khe (Bye-Law 104) **(Resolution 3)**

   [See Explanatory Note 1]

3. To approve the payment of Directors' fees of S$119,000 for the financial year ended 31 December 2018. **(Resolution 4)**

4. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:-

6. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

   "That authority be and is hereby given to the Directors to:-

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might 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,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

   provided that:-

   (1) the aggregate number of shares to be issued pursuant to such authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and

(ii) any subsequent consolidation or sub-division of shares;

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.”

[see Explanatory Note 2] **(Resolution 6)**

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

“That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of the SGX-ST for the Company and its subsidiary to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2017 (the “Appendix”) with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures as set out in the Appendix and that such approval (the “Shareholders’ Mandate”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

[see Explanatory Note 3] **(Resolution 7)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary
Singapore
8 April 2019

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(1) Mr Liang Guo Zhan will, upon re-election as Director of the Company, remain as the executive chairman of the Company.

Mr Gerald Yeo @ Yeo Ah Khe will, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee, and a member of Nominating Committee and Remuneration Committee respectively. The Board considers Mr Gerald Yeo @ Yeo Ah Khe to be independent for the purpose of Rule 704(8) of SGX listing manual.

(2) Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed in aggregate 50% of the issued share capital of the Company. For the allotment and issue of shares and convertible securities otherwise than on a pro rata basis to all shareholders, the aggregate number shall not exceed 20% of the issued share capital of the Company. The percentage of issued capital is based on the Company's issued capital at the time the proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time the proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting or date by which the next Annual General Meeting is required by law to be held, whichever is the earlier.

(3) Ordinary Resolution 7 proposed in item 7 above is to renew the Shareholders' Mandate for transactions with interested persons and if passed, will empower the Directors of the Company to do all acts necessary to give effect to the Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.

NOTES:

(i) Each of the resolutions to be put to the vote of shareholders at the Annual General Meeting (and at any adjournment thereof) will be voted on by way of a poll.

(ii) A proxy need not be a shareholder of the Company.

(iii) A shareholder who is a natural person need not submit the Depositor Proxy Form if he is attending the Annual General Meeting in person. Where a shareholder is a corporation and wishes to be represented at the Annual General Meeting, it must nominate not more than two persons ("Appointees"), who shall be natural persons, to attend and vote as proxy for The Central Depository (Pte) Limited ("Depository") at the Annual General Meeting. Where such shareholder's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(iv) Unless the Depository specifies otherwise in a written notice to the Company, the Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at the Annual General Meeting each of the Depositors who are individuals and whose names are shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the Annual General Meeting. Therefore, such Depositors (as defined in the Bye-Laws of the Company) who are individuals can attend and vote at the Annual General Meeting without the lodgement of any "Depositor Proxy Form", which is the proxy form titled "Annual General Meeting – Depositor Proxy Form" despatched to shareholders who are Depositors.

(v) A shareholder who is a Depositor may nominate not more than two Appointees, who shall be natural persons, to attend and vote in his/her/its place as proxy for the Depository in respect of his/her/its shares entered against his/her/its name in the Depository Register, by completing the Depositor Proxy Form in accordance with the instructions stated therein and depositing the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for the Annual General Meeting.

(vi) A shareholder may nominate not more than two Appointees, who shall be natural persons, to attend and vote in his/her/its place in respect of his/her/its shares registered in his/her/its name in

NOTICE OF ANNUAL GENERAL MEETING

the Register of Members of the Company, by completing the proxy form titled "Proxy Form" despatched together with this Annual Report to Depositors ("Shareholder Proxy Form") in accordance with the instructions stated therein and depositing the duly completed Shareholder Proxy Form at the office of the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road, #11-02, Singapore 068898 or by post at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for the Annual General Meeting.

(vii) Completion and return of the instrument appointing a proxy or proxies by a shareholder will not prevent him/her from attending, speaking and voting at the Annual General Meeting if he/she so wishes. The appointment of the proxy(ies) for the Annual General Meeting will be deemed to be revoked if the shareholder attends the Annual General Meeting in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies to the Annual General Meeting.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of 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 Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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 shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), 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 shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

APPENDIX

8 April 2019

This Appendix is circulated to Shareholders of Ouhua Energy Holdings Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders' Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held at Level 5, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Tuesday, 30 April 2019 at 10 a.m.

The Notice of Annual General Meeting is enclosed with the Annual Report.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness or accuracy of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

Ohwa Energy
欧华能源

OUHUA ENERGY HOLDINGS LIMITED
(Incorporated in Bermuda on 3 January 2006)
(Company Registration Number 37791)

APPENDIX

IN RELATON TO

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

APPENDIX

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

Group Companies

"Chaozhou Ouhua"	:	潮洲市欧华能源有限公司 (Chaozhou Ouhua Energy Co, Ltd.)
"Company" or "Ouhua Energy"	:	Ouhua Energy Holdings Limited (欧华能源控股有限公司)
"Group"	:	Our Company and our PRC subsidiary, Chaozhou Ouhua

Other Companies and Organisations

"CDP"	:	The Central Depository (Pte) Limited
"Huafeng Group"	:	潮州市华丰集团有限公司 (Chaozhou Huafeng (Group) Ltd)
"Huafeng Incorporation"	:	潮州市华丰集团股份有限公司 (Chaozhou Huafeng (Group) Incorporation Ltd)
"Huafeng Storage"	:	潮州市华丰石油产品仓储有限公司 (Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.)
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Zhongkai Huafeng"	:	潮州市中凯华丰能源连锁配送有限公司 (Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.)

General

"Act" or "Companies Act"	:	Companies Act (Chapter 50) of Singapore
"AGM"	:	Annual General Meeting
"Associate"	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

APPENDIX

"Audit Committee"	:	The audit committee of our Company
"Bye-laws"	:	The bye-laws of our Company, as amended, supplemented or modified from time to time
"Directors"	:	The directors of our Company
"Latest Practicable Date"	:	18 March 2019, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The Listing Manual of the SGX-ST
"PRC"	:	People's Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China, for the purpose of this Prospectus and for geographical reference only
"Shares"	:	Ordinary shares of US$0.05 each in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares

Currencies, Units and Others

"RMB" or "Renminbi"	:	The lawful currency of the PRC
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Any references to "we", "our", and "us" or other grammatical variations thereof in this Appendix is a reference to our Company, our Group or any member of our Group, as the context requires.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Bermuda Companies Act, any statutory modification thereof or the Listing Manual and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, the Bermuda Companies Act, such statutory modification or the Listing Manual, as the case may be.

APPENDIX

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate ("Shareholders' Mandate") that will enable the Group to enter into transactions with the Interested Persons (as defined below) in compliance with Chapter 9 of the Listing Manual.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or Associate of such director, chief executive officer or controlling shareholder.

Under Chapter 9 of the Listing Manual, a listed company may seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

Pursuant to Chapter 9 of the Listing Manual, the Shareholders' Mandate, which was approved by the Shareholders on 13 September 2006 and renewed on 25 April 2007， 28 April 2008, 30 April 2009, 28 April 2010, 29 April 2011, 26 April 2012, 30 April 2013, 29 April 2014, 30 April 2015, 29 April 2016, 15 June 2017, and 20 April 2018 will continue in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 30 April 2019, to take effect until the next AGM of the Company.

2. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

The Shareholders' Mandate will apply to our Group's transactions with Huafeng Incorporation, Huafeng Group, Huafeng Storage and Zhongkai Huafeng.

<u>Huafeng Group</u>

Huafeng Group is a company incorporated in the PRC and is primarily engaged in investment holding. Liang Guo Zhan, our Executive Chairman, owns 80.0% of Huafeng Group while the mother of Liang Guo Zhan own 20.0% of Huafeng Group respectively.

<u>Huafeng Incorporation</u>

Huafeng Incorporation is a company incorporated in the PRC and is primarily engaged in investment holding and the distribution of LPG to end-users through its LPG retail stations in the PRC. Huafeng Group owns 94.35% of Huafeng Incorporation while the remaining shareholders are Huafeng Group's union (a body representing the employees of Huafeng Group) holding 3.53% and Associates of Liang Guo Zhan holding 2.11%.

<u>Huafeng Storage</u>

Huafeng Storage is a company incorporated in the PRC and is primarily engaged in the storage of petroleum and related products in the PRC. Huafeng Incorporation owns 100% of Huafeng Storage.

<u>Zhongkai Huafeng</u>

Zhongkai Huafeng is a company incorporated in the PRC and is primarily engaged in the packaging and distribution of LPG to end-users through its LPG retail stations in the PRC.

APPENDIX

Huafeng Incorporation owns 90.0% of Zhongkai Huafeng while Wang Hua Zhu owns the remaining 10.0%.

2.2 Categories of interested person transactions and the rationale and benefits derived from the interested person transactions

The transactions covered by the Shareholders' Mandate and the rationale and benefits to be derived from the interested person transactions are set out below:-

(i) Use of liquefied petroleum gas ("LPG") storage facilities

Huafeng Storage was previously operating as a tier-two gas distributor. It ceased operations as an LPG distributor when Huafeng Refining commenced operations in 2003. We did not acquire these storage facilities as it was not cost effective to do so. Huafeng Storage's storage facilities are situated in a different location from our production facility, hence we will incur costs in the transportation of LPG to these storage facilities. However, in the event that our storage facilities become insufficient due to a sudden surge in demand, we may make use of the LPG storage facilities provided by Huafeng Storage. Our Directors believe that this is beneficial to our Group as this will provide us with additional storage facilities should such a demand arise on short notice.

(ii) Sale of LPG

We sell our LPG to Zhongkai Huafeng, which is engaged in the distribution of LPG to end-consumers through its LPG retail stations in the PRC. As we do not have LPG stations in the PRC, our sales to Zhongkai Huafeng allow us to leverage on its network of retail stations for wider end-consumer reach. Our Directors believe that it is beneficial to our Group to continue selling our LPG to Zhongkai Huafeng as long as it has the demand for LPG and such sales are made on prices and terms not more favourable to it than those extended to unrelated third parties.

(iii) Lease of LPG transportation vehicles

Due to the nature of our product, we require specialised vehicles, to transport our product. As we have insufficient LPG transportation vehicles, our Directors believe that the vehicle lease agreements with Huafeng Incorporation and Huafeng Group are beneficial to our Group as they provide our Group with access to reliable transportation for our product at market prices and give us greater assurance that such services will continue uninterrupted and will not be terminated on short notice.

Transactions with interested persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

2.3 Rationale for and benefits of the Shareholders' Mandate

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions with the relevant interested persons arise, thereby reducing substantially, the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to us.

The Shareholders' Mandate is intended to facilitate transactions in our normal course of business, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

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Disclosure will be made in our annual report of the aggregate value of interested person transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' Mandate is in force. In addition, we will announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the relevant financial period within the required time frame stipulated in the Listing Manual.

2.4 Guidelines and Review Procedures under Shareholders' Mandate

We have implemented the following procedures to supplement existing internal control procedures to ensure that interested person transactions are undertaken on an arm's length basis and on normal commercial terms consistent with our usual business practice and policies, which are generally no more favourable to the interested persons than those extended to unrelated third parties.

To ensure that interested person transactions are undertaken on an arm's length basis, on commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders, the Shareholders' Mandate incorporates the following review procedures:-

(a) When selling our products to interested persons, the sale price and terms of the sale shall be based on two most recent transactions with unrelated third parties and on terms which are no more favourable to the interested persons as compared to the price and terms extended to unrelated third parties (including where applicable, preferential rates/prices/discounts accorded for bulk purchases/delivery arrangement/credit terms) or otherwise in accordance with applicable industry norms;

(b) When engaging the services of interested persons, at least two other quotations from unrelated third parties will be obtained for comparison. The fees charged shall not be higher than the most competitive fee quoted by the unrelated third parties and the terms extended by the interested persons shall not be less favourable to us than the terms extended by the unrelated third parties. In determining the most competitive price, all pertinent factors, including but not limited to quality, specifications and requirements, duration of contracts, credit terms, delivery arrangement and track record will be taken into consideration; and

(c) In cases where it is not possible to obtain comparables from other unrelated third parties due to the nature of the transaction (for example, if there are no unrelated third party vendors providing a similar service), we will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken on an arm's length basis and on normal commercial terms. In determining the transaction price, factors including, but not limited to quantity, specifications and requirements, duration of contracts, credit terms, delivery arrangement and track record will be taken into consideration.

In addition, to supplement our internal procedures to ensure that all interested person transactions covered by the Shareholders' mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of our Group and its minority Shareholders, the following limits for all interested person transactions will be applied:-

(i) where an individual transaction is below RMB 500,000, such transaction will be subject to prior approval by our Chief Financial Officer and/or General Manager;

(ii) where an individual transaction is equal to or in excess of RMB 500,000, such transaction will be subject to prior approval by our Audit Committee; and

(iii) where the aggregate value of all transactions with the same interested person in the same financial year is equal to or in excess of RMB 20.0 million, all transactions comprising such an amount will be reviewed by our Audit Committee to ensure that

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they are carried out on normal commercial terms and in accordance with the procedures set out in the Shareholders' Mandate. All transactions which have been reviewed by the Audit Committee will be excluded from the aggregation of transactions for the purpose of this review.

A register will be maintained by our Company to record all interested person transactions (and the basis on which they are entered into) which are entered into pursuant to the Shareholders' Mandate and the approval or review by the Audit Committee or the Chief Financial Officer and/or General Manager, as the case may be. In the event that our Chief Financial Officer, General Manager or any member of our Audit Committee (where applicable) is interested in any interested person transaction, he will abstain from reviewing and/or approving that particular transaction.

Our Company shall, on a quarterly basis, report to our Audit Committee on all interested person transactions, and the basis of such transactions, entered into with the interested person during the preceding quarter. Our Audit Committee shall review such interested person transactions at its quarterly meetings except where such interested person transactions are required under the review procedures to be approved by our Audit Committee prior to the entry thereof.

The Company's annual internal audit plan shall incorporate a review of all interested person transactions, including the established review procedures for the monitoring of such interested person transactions, entered into during the current financial year pursuant to the Shareholders' Mandate.

Our Audit Committee believes that the above guidelines and procedures are sufficient to ensure that these interested person transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders. Our Audit Committee shall review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between the interested persons and us are conducted on an arm's length basis and on normal commercial terms.

Our Audit Committee will also carry out periodic reviews (not less than twice in a financial year) to ensure that the established guidelines and procedures for interested person transactions have been complied with and the relevant approvals obtained. Further, if during these periodic reviews, our Audit Committee is of the view that the above guidelines and procedures are not sufficient to ensure that these interested person transactions will be on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, we will revert to our Shareholders for a fresh mandate based on new guidelines and procedures for transactions with interested persons. During the period prior to obtaining a fresh mandate from our Shareholders, all transactions with interested persons will be subject to prior review and approval by our Audit Committee.

3. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Xiong Wei) has reviewed the terms of the Shareholders' Mandate and confirms that the method and procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the last Shareholders' approval which took place on 20 April 2018 and that such methods are procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

(ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority

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Shareholders, our Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

(iii) The Audit Committee will also ensure that all disclosure and approval requirements for interested person transactions, including those required by the prevailing legislation, the Listing Manual and the applicable accounting standards, as the case may be, are complied with.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:-

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Liang Guo Zhan(1) (3)	100	nm(2)	245,874,780	64.15
Ye Tian Shun	-	-	-	-
Gerald Yeo @ Yeo Ah Khe	150,000	nm(2)	-	-
Tham Hock Chee	-	-	-	-
Xiong Wei	-	-	-	-
Substantial Shareholders				
High Tree Worldwide Ltd(1)	245,874,780	64.15	-	-
Wang Hua Zhu(3)	21,880,000	5.71	-	-

[Note:-

(1) High Tree Worldwide Ltd. is wholly-owned by Liang Guo Zhan, who is thus deemed to have an interest in the shares held by High Tree Worldwide Ltd.. Such shares are registered in the name of CGS-CIMB SECURITIES (S) PL.

(2) Not meaningful.

(3) Wang Hua Zhu is the mother of Liang Guo Zhan.

High Tree Worldwide Ltd. and Ms Wang Hua Zhu will abstain, and have undertaken to ensure that its associates will abstain, from voting at the forthcoming AGM on the Ordinary Resolution relating to the renewal of the Shareholders' Mandate.

5. DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate, namely Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Xiong Wei, believe that the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the resolution to approve the same as set out in the Notice of AGM.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2018 of the Company, will be held on Tuesday, 30 April 2019 at 10 a.m. at Level 5, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, for the purpose of considering and, if thought fit, passing with or without

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any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

To allow persons whose names are listed in the Depository Register maintained by CDP to attend the AGM, pursuant to Bye-law 85(B) of the Bye-laws, CDP will appoint each of the Depositors and, in relation to each of the Depositors, in respect of such number of shares of the Company set out opposite their respective names in the Depository Register as at 28 April 2019 (the "Cut Off Date"), as its proxy/proxies to attend and vote at the AGM. Accordingly, an individual Depositor who wishes to attend and vote in person at the AGM can do so without having to submit the proxy form issued to Depositors ("Depositor Proxy Form") together with the Notice of AGM.

If an individual Depositor wishes to appoint person(s) other than himself to attend and vote at the AGM in his stead, the Depositor should complete and submit the Depositor Proxy Form despatched with the Annual Report in accordance with the instructions printed thereon. A Depositor who is a corporation and who wishes to attend the AGM must submit the Depositor Proxy Form for the appointment of person(s) to attend and vote at the AGM on its behalf.

If a Shareholder, who is not a Depositor, is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete and submit the proxy form despatched to Shareholders who are not Depositors ("Shareholder Proxy Form") together with the Annual Report in accordance with the instructions printed thereon.

To be valid and effective, the Depositor Proxy Form and/or the Shareholder Proxy Form must be deposited at the office of the Company's Singapore Share Transfer Agent, Tricor Barbinder Share Registration Services, either by hand at 80 Robinson Road #11-02 Singapore 068898 or by post to 80 Robinson Road #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the interested person transactions disclosed hereunder, the Company and its subsidiary, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where Appendix in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Liang Guo Zhan (Executive Chairman)
Ye Tian Shun (Executive Director)
Gerald Yeo (Lead Independent Director)
Tham Hock Chee (Independent Director)
Xiong Wei (Independent Director)

BERMUDA RESIDENT REPRESENTATIVE
Appleby Services (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

COMPANY SECRETARY
Chia Foon Yeow

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

COMPANY REGISTRATION NUMBER
37791

PRINCIPAL PLACE OF BUSINESS
Long Wan Suo Cheng Town
Raoping County, Chaozhou City
Guangdong Province
The People's Republic of China

BERMUDA PRINCIPAL REGISTRAR AND TRANSFER AGENT
Appleby Management (Bermuda) Ltd.
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

SINGAPORE SHARE TRANSFER AGENT
Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
PWC Building
Singapore 068898

AUDITOR OF THE COMPANY
Marzars LLP
Public Accountants and Certified Public Accountants
135 Cecil Street #10-01
MYP Plaza
Singapore 069536
Partner-in-charge: Lai Keng Wei
(Appointed with effect since financial year
ended 31 December 2014)

PRINCIPAL BANKERS
China Merchants Bank
Shenzhen Branch
29 Longxiang Road
Longgang Centre Area, Labour Building
Shenzhen, Guangdong Province
The People's Republic of China

Shenzhen Development Bank Co., Ltd.
Guangzhou Branch, Liuhua Sub-branch
2/F International Banking Centre
191 Dongfengxi Road
Guangzhou City, Guangdong Province
The People's Republic of China

Bank of China
Chaozhou Branch
Chaozhou Road, Bank of China Building
Chaozhou City, Guangdong Province
The People's Republic of China

Industrial and Commercial Bank of China
Chaozhou Branch
Chaozhou Road
Chaozhou City, Guangdong Province
The People's Republic of China