OUHUA ENERGY HOLDINGS LIMITED

SUSTAINING MOMENTUM

2016

Annual Report

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.

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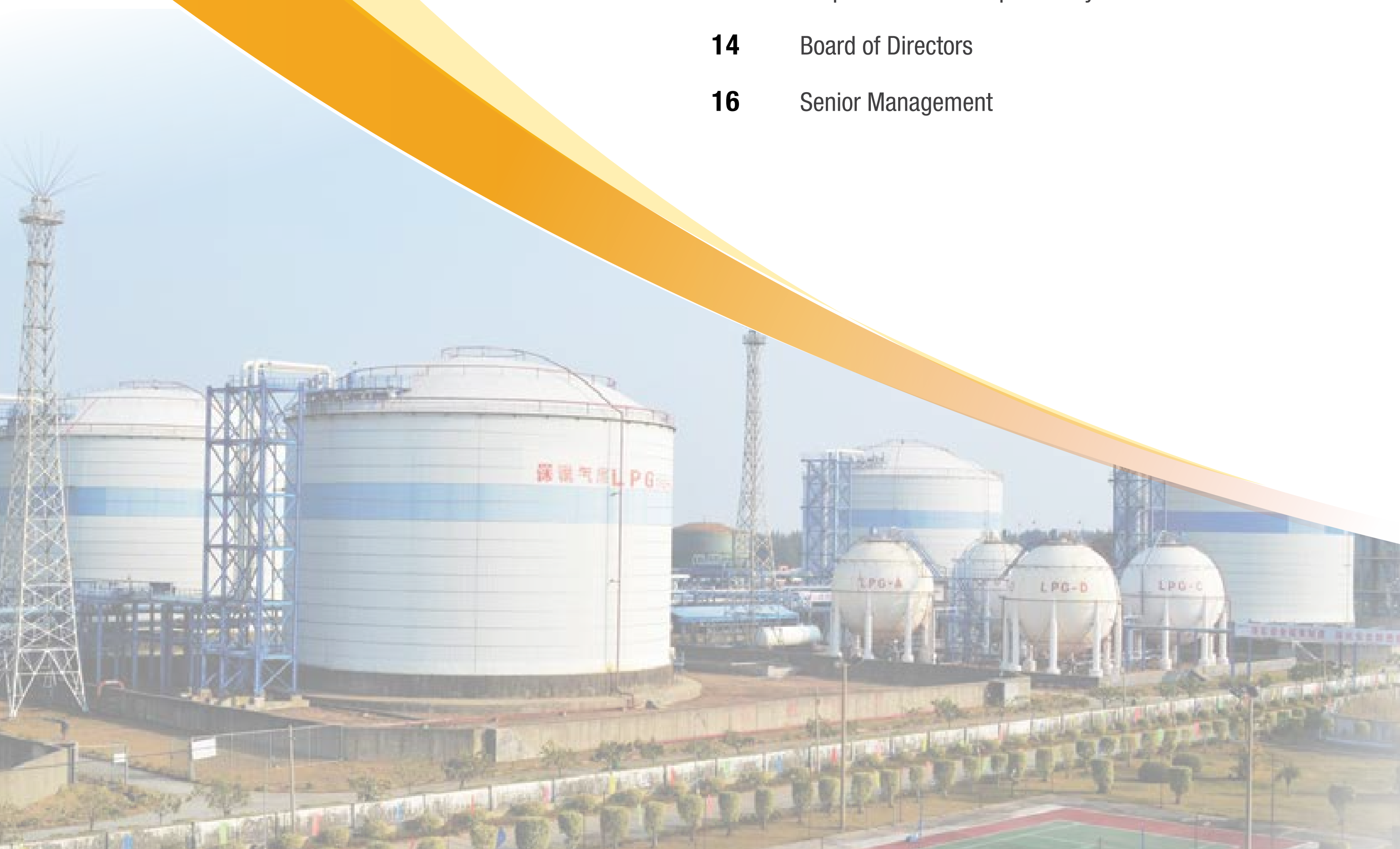


CORPORATE PROFILE

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 over 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 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 Shareholders,

We are pleased to share the results for the financial year ended 31 December 2016 ("FY2016"), where we were able to maintain our profitability despite volatility and challenges in the operating environment.

FY2016 was characterised by challenges such as the ongoing systematic cooldown of China's economy, lower average selling prices of LPG, and volatile oil prices. Ultimately, we mitigated the effects and capitalised on opportunities to record a net profit of RMB40.97 million for the year under review.

BUSINESS REVIEW

The Group recorded a total revenue of RMB2.18 billion for FY2016, which was 13.8% higher than the RMB1.91 billion in the financial year ended 31 December 2015 ("FY2015"). The growth in revenue was largely due to higher domestic demand for our main product, LPG, which had a competitive pricing advantage over other alternative clean energy products available in the People's Republic of China. The total volume of LPG sold in FY2016 was 830,541 tonnes which was significantly higher than the 586,160 tonnes sold in FY2015. However, total sales were partially curtailed by the lower average selling prices of LPG. Prices fell by 19.7% to RMB2,625 per tonne in comparison to RMB3,267 per tonne in the previous financial year.

As we carefully managed variables such as the above to deliver the best in value, we have also grown our customer base and expanded our sales region. An example of our progress is the securing of a one-year sale contract with a customer in the Philippines for the supply of 10,000 tonnes of LPG per month. We are constantly exploring for markets and customers that help strengthen the sustainability of our business operations and enhance the stability of profitable returns.

For the year under review, we had continued to uphold prudent business risk management and implemented various measures to manage operational costs. As a result, we were able to maintain a positive gross profit margin of 7.18%.

After factoring in costs and taxes, our bottom line for the year amounted to RMB40.97 million. While still profitable, it was RMB10.95 million lower than the RMB51.92 million reported for FY2015.

BUSINESS STRATEGY

The Group has taken steady strides in refining its capabilities to deliver value and establish itself as a preferred source for LPG products domestically and in the region. We believe that there is much more to do and are already fine-tuning our strategies and initiatives to further build upon strong foundations.

We will continue to source for new customers domestically and abroad. On the local front, we will leverage on our market presence of approximately 40% to reach out to new customers. Abroad, we endeavour to expand geographically, thus diversifying our sources of income and building a more robust network that will soften the effects of demand fluctuation from any one region.

CHAIRMAN'S MESSAGE

On a separate note, we will continue to leverage on macro events such as the volatile oil prices. The substantial decline of oil prices provided and continues to provide potential opportunities for better economic and business conditions for our primary market, China, and our Group in general, as evidenced by our favourable performance in the first nine months of 2016.

However, we have noted that there is still much uncertainty in respect of the state of the global economy in the financial year ending 31 December 2017 ("FY2017"). International oil prices are projected to remain volatile and the lower economic growth rate for China coupled with the weaker RMB are ongoing concerns. These are adverse external factors that continue to pose a significant challenge for our LPG business and the Group. Thus we will adopt a cautious stance with emphasis on flexibility to better respond to opportunities and challenges alike.

OUTLOOK FY2017

While the upcoming financial year is projected to be challenging for most industries, we remain optimistic of our prospects. Our strategies and initiatives are tested and we are in constant pursuit of how to better our performance.

From a macro perspective, demand for LPG in China is expected to continue growing although at a slower rate of 10%. Ratings company, S&P Global Platts, projects China's demand for LPG to continue growing although in 2017 on the back of strong demand from petrochemical and industrial consumption. It reported that demand in 2016 was 24% and was primarily comprised of domestic production and net imports.

We believe that despite the aforementioned challenges, a balance of careful strategies and flexibility would enable us to surmount any obstacle.

ACKNOWLEDGEMENTS

On behalf of the board of directors of the Company, I would like to thank our customers, suppliers and business associates for their support. Also not to be forgotten are our dedicated staff, whose tireless efforts over the last year are much appreciated. Finally, I would like to thank our shareholders for their trust in us and understanding. We appreciate your continued support as we continue our endeavour to deliver value in the times ahead.

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2016年12月31日止财政年度（“2016财年”）的业绩，尽管经营环境波动且竞争激烈，我们依然能保持盈利。

2016财年极具挑战，如中国经济持续遇冷，液化石油气的平均售价下跌及石油价格波动。最终，我们降低影响并把握机会，于2016财年获得纯利人民币4097万元。

业务回顾

2016财年，本集团的总收入为人民币21.8亿元，较截至2015年12月31日止财政年度(“2015财年”)的人民币19.1亿元增长13.8%。收入增长很大程度上是由于我们主要产品液化石油气的较高国内需求，该产品比其他替代清洁能源产品在中国的价格优势更具竞争力。2016财年，液化石油气的总销量为830,541吨，较2015财年的586,160吨增长显著。然而，总销售额部分因液化石油气的平均售价下跌而减少。与前一财政年度每吨人民币3,267元相比，价格下跌19.7%至每吨人民币2,625元。

由于我们审慎管理各种可变因素，如上文所述竭力提升价值，我们得以拓展客户群及扩大销售区域。我们取得的其中一项进展是，与菲律宾的一名客户签订每月供应10,000吨液化石油气的一年期销售合约。我们不断开拓市场及客户，以助于加强我们业务经营的可持续发展并提高盈利回报的稳定性。

于回顾年度，我们继续坚持审慎的业务风险管理并实施各项措施，以管理营运成本。因此，我们得以保持7.18%的正毛利率。

扣除成本及税项因素后，我们年内的经营业绩为人民币4097万元。虽然较2015财年的人民币5192万元减少人民币1095万元，但依然保持盈利。

业务战略

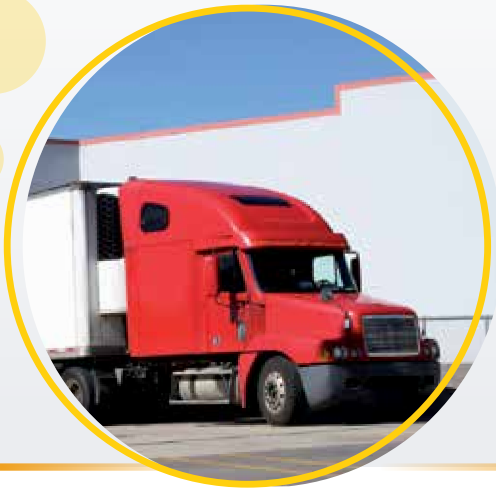
本集团已在提升其提供价值的能力方面采取稳定战略，并致力成为国内及区域液化石油气产品的首选供应商。我们相信，我们任重道远，而我们已对我们的战略及举措进行微调，以进一步巩固我们的实力。

我们将继续在国内外发展新客户。在国内，我们将利用我们约40%的市场份额，接触新的客户。在国外，我们将努力扩充业务覆盖面，从而多样化我们的收入来源及打造更强大的网络，此将减轻其他区域需求波动的影响。

此外，我们将继续利用石油价格波动等宏观事件。从我们在2016年前九个月的表现可以看出，石油价格大幅下跌可能为我们的主要市场—中国及本集团创造更好的经济及业务环境机会。

然而，我们注意到，2017年全球经济仍存在诸多不明朗因素。国际石油价格预计仍然不稳定且中国经济较低的增长率和人民币贬值

主席致辞



将持续引起关注。该等不利的外部因素将继续对我们的液化石油气业务及本集团构成重大挑战。因此， 我们将采取审慎态度，专注灵活性，以更好地应对机遇和挑战。

展望

尽管即将到来的财政年度预期对大多行业而言充满挑战，我们仍然对我们的前景保持乐观态度。我们的战略和举措正接受考验，且我们会不断致力提升我们的业绩。

从宏观角度来看，中国的液化石油气需求预期将持续增长，但保持10%的较低增长速度。评级公司标准普尔全球普氏（S&P Global Platts）预计，受益于石油化工及工业消耗的强求需求，2017年中国液化石油气的需求将持续增长。根据报告，2016年的需求为24%，主要包括国内生产及净进口。

我们相信，尽管面临以上挑战，审慎平衡战略与灵活性将使我们能够克服任何困难。

致谢

我在此代表董事会感谢我们的客户、供应商和业务伙伴的鼎力支持，同时也感谢我们的员工在过去一年作出的不懈努力。

最后，还要感谢我们的股东对本集团的一贯信任，我们今后还将继续努力为全体股东争取更多利益。

梁国湛
执行主席
欧华能源控股有限公司

FUELLING OPPORTUNITIES

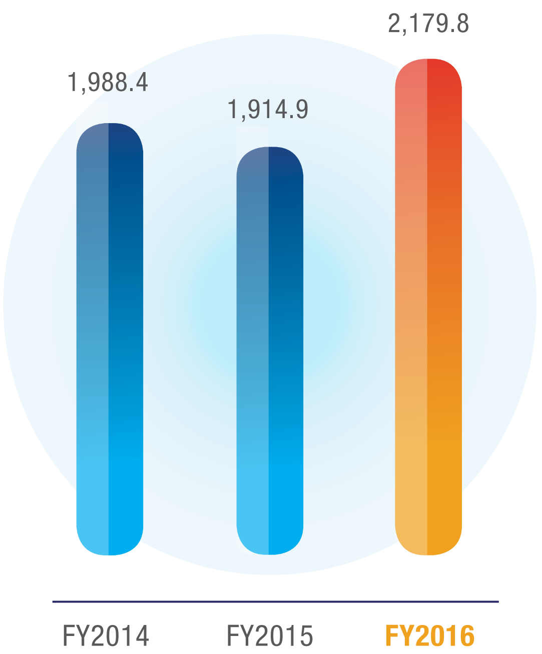
Our constant pursuit for greater growth has enabled us to capitalise on opportunities and play a significant role within the energy market. Moving forward, we will continue to focus on building our strong fundamentals and exploring future possibilities that will create greater value.

CORPORATE
STRUCTURE

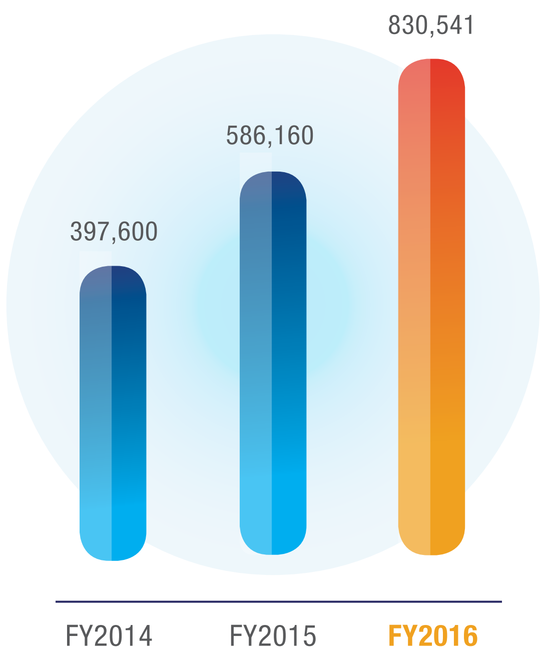
We are cautiously optimistic about both the short-term and the long-term future of our Group due to our Group's ongoing transformation and our focused efforts in capturing opportunities to improve and advance our level of technology.

FINANCIAL HIGHLIGHTS

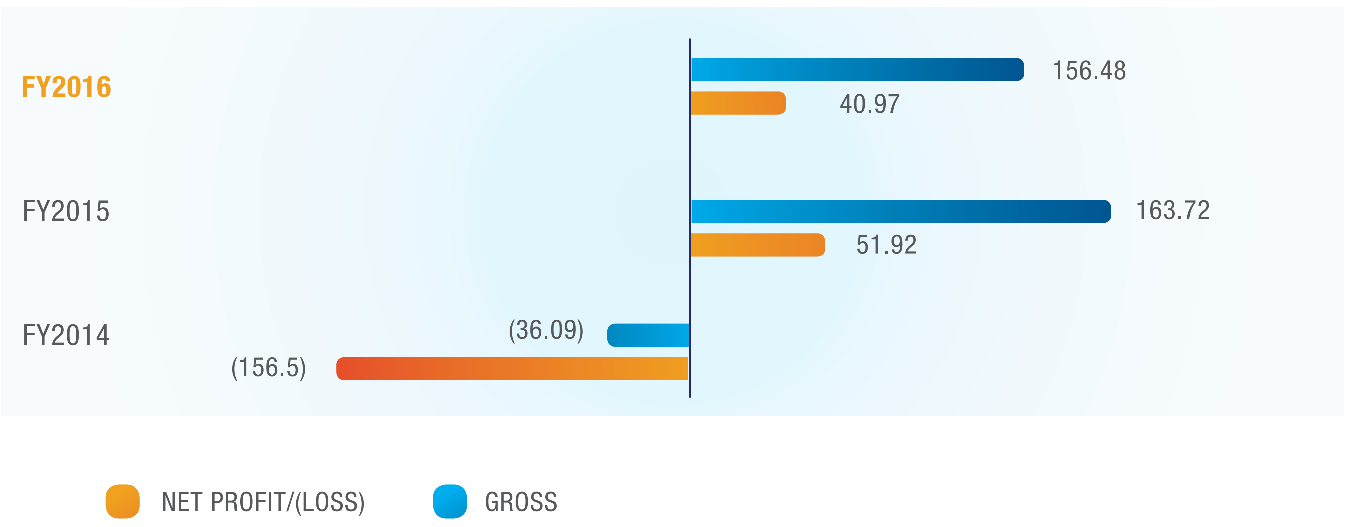
REVENUE
(RMB 'MILLION)



SALES VOLUME
(TONNES)

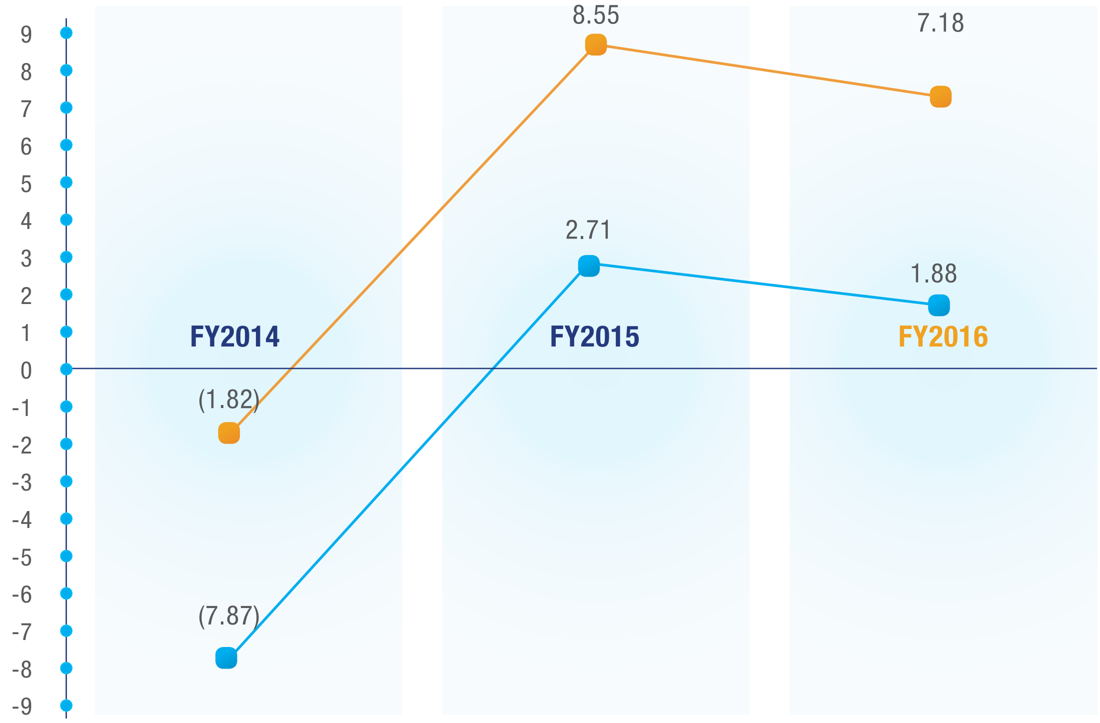


GROSS AND NET PROFITS
(RMB 'MILLION)



FINANCIAL HIGHLIGHTS

PROFIT MARGINS
(%)



KEY FINANCIAL RATIO

	FY2014	FY2015	FY2016
EARNINGS/(LOSS) PER SHARE (RMB CENTS)	(40.82)	13.55	**10.69**
GROSS MARGINS (%)	(1.82)	8.55	**7.18**
NET MARGINS (%)	(7.87)	2.71	**1.88**
GEARING RATIO (TIMES)	9.02	4.5	**2.48**
NAV (RMB CENTS)	8.9	22.38	**32.97**

FINANCIAL CALENDAR

	FY2014	FY2015	FY2016
DESIGNED CAPACITY (TONNES)	900,000	900,000	**900,000**
WEIGHTED AVERAGE DESIGN CAPACITY (TONNES)	900,000	900,000	**900,000**
ACTUAL OUTPUT (TONNES)	398,600	586,160	**830,541**
ACTUAL OUTPUT (PERCENTAGE)	44.3	65.1	**92.3**

OPERATIONS REVIEW

OPERATING REVENUE

FY2016 saw the Group overcome persistent challenges arising from macroeconomic factors to deliver yet another year of profitability.

Our total revenue for FY2016 rose by 13.8% to RMB2.18 billion on the back of stronger demand for our LPG products. The volume of LPG sold for the year rose to 830,541 tonnes, a 244,381 tonne increase from the amount sold in FY2015. The higher demand for LPG was partially driven by domestic customers who preferred LPG due to its competitive price as compared to other alternative clean energy products. Furthermore, we had successfully developed new long term contracts with foreign customers in Southeast Asia. However, our results were offset by a fall in LPG average selling prices, which dipped 19.7% to RMB2,625 per tonne.

COSTS AND EARNINGS ANALYSIS

For the financial year under review, the Group continued to carefully balance costs management with its pursuit to deliver value. Gross profit for FY2016 was RMB156.48 million, RMB7.23 million lower than the RMB163.71 million reported in FY2015. In line with the lower gross profit, our gross profit margin fell from 8.55% to 7.18% due to the decrease in oil price in the international market as compared to the previous financial year. The Group's other operating income declined 35.5% or RMB4.27 million due to a RMB 10.55 million decrease in shipping income. The reduction was partially offset by an increase in rental income of our LPG vessel, "Ouhua XI", by RMB5.08 million.

For operating expenses, we saw an overall decrease. This was due to a multitude of factors beginning with selling and distribution expenses having increased by approximately RMB8.6 million due to the increase in land freight of RMB8.48 million, and the increase in tugboat charges of RMB4.28 million. These increases were offset by a decrease in marine freight of RMB214 million and the decrease in LPG vehicle charge of RMB2.14 million.

In addition to the above, administrative expenses fell by 12.1% or RMB3.16 million due to a decrease in letter of credit application and certificate fee of RMB2.74 million. This was also partially offset by an increase in port construction and maintenance cost of RMB2.18 million, an increase in stamp duty of RMB0.32 million and an increase in other expenses of RMB0.39 million which covers items such as travelling, utilities and telephone bills.

Furthermore, the Group's other operating expenses rose by 17.23% or RMB4.43 million, due to the higher depreciation of the "Ouhua XI" vessel amounting to RMB5.24 million, and the increase in letter of credit application and certificate fee of RMB2.74 million due to reclassification. These were partially offset by a decrease in exchange loss of RMB3.52 million.

For the financial year under review, the Group's finance cost was 37% or RMB10.43 million lower due to a decrease in interest expense for bank loans along with an interest rate cut by the central bank.

Taking into account the aforementioned, the Group was able to maintain its profitability and recorded a net profit attributable to equity holders of RMB40.97 million for FY2016.

FINANCIAL POSITION AND LIQUIDITY

The Group continues to uphold a firm financial position through prudent management of resources. Our non-current assets fell by approximately RMB13.56 million or 7.69% in value due to fixed assets depreciation. This was then partially offset by the purchase of new assets worth RMB1.35 million.

In FY2016, our current assets grew by approximately 19.34% or RMB71.82 million from RMB371.31 million previously. This was due to an increase in inventories of RMB105.44 million, an increase of cash and cash equivalents of RMB40.95 million, and higher pledged fixed deposits of RMB63.4 million. These in turn were partially offset by a decrease in an investment of RMB63.4 million which was held to maturity, and a decrease in trade and other receivables plus dues from related parties of a total of RMB27.37 million.

The current liabilities of the Group rose by approximately RMB17.69 million to RMB479.56 million mainly due to an increase in trade and other payables amounting to RMB89.67 million, partially offset by an increase in short-term borrowings of RMB72.26 million and a RMB4.02 million decrease in dues to a related party.

For FY2016, the net cash generated from operating activities amounted to approximately RMB53.27 million. It can be mainly attributed to a profit before income tax of RMB40.97 million, after adding back non-cash items of RMB32.2 million and interest paid of RMB17.57 million. Net cash outflow of working capital amounted to RMB2.49 million.

The net cash outflows from working capital arose from an increase in inventories to the tune of RMB105.45 million, and an increase in margin deposit of RMB2.12 million. This was partially offset by an increase in trade and other payables of RMB87.47 million, the increase in trade and other receivables of RMB9.5 million and dues from related parties of RMB6.05 million.

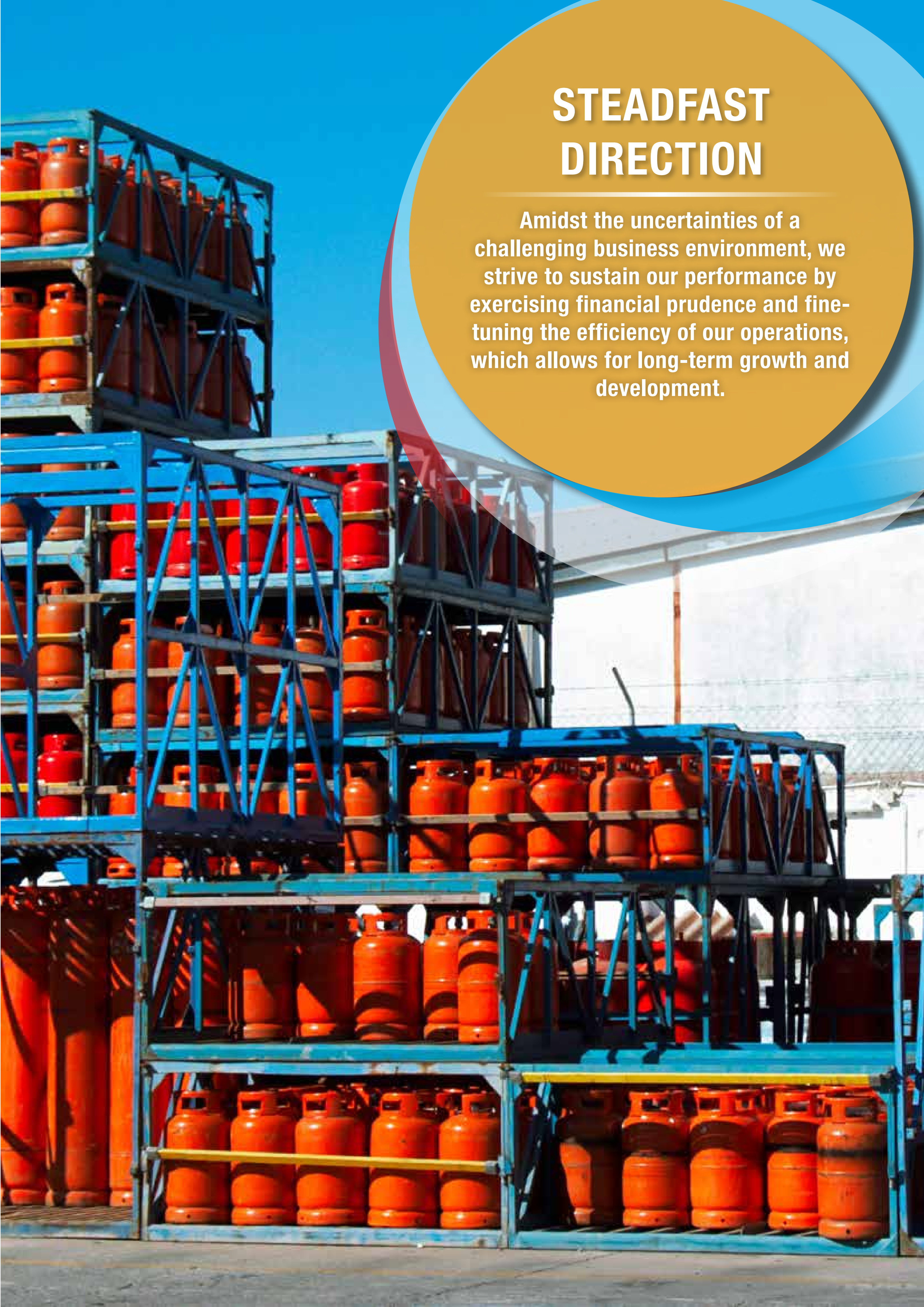
Our net cash flows generated from investing activities amounted to RMB60.30 million mainly due to the net sale of held-to-maturity investments of RMB63.4 million and partially offset by the purchase of property, plant and equipment of RMB1.35 million. The Group's net cash outflows from financing activities amounted to RMB72.64 million for the year under review. This was mainly due to a net repayment of bank borrowings of RMB72.26 million and an increase in pledged fixed deposits of RMB14.09 million partially offset by receipt from related parties of RMB11.97 million.

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.

STEADFAST DIRECTION

Amidst the uncertainties of a challenging business environment, we strive to sustain our performance by exercising financial prudence and fine-tuning the efficiency of our operations, which allows for long-term growth and development.



BOARD OF DIRECTORS

LIANG GUO ZHAN

Executive Chairman

Liang Guo Zhan is the founder and Executive Chairman of our 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 a member of the Guangdong Province 8th Youth Union Committee, the Deputy Chairman of the Guangdong Enterprise Union Committee, a representative of Chaozhou City's 12th People's Representative Association and the Deputy Chairman of the Guangdong Entrepreneur Society. He was also recognised as one of Guangdong Province's Excellent Entrepreneurs in 2004 and one of the Top 10 outstanding Youth at the 4th Chaozhou City Session in 2004.

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 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 Sailor for a Hong Kong based company, Yifeng Shipping Services Enterprise Company from 1991 to 1994. He obtained a degree in Ferry Management 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 YEE

Lead Independent Director

Gerald Yeo was appointed on 26 April 2012 as Lead Independent Director of our Company. Mr Yeo is an Executive Director of One Tree Capital Management Pte. Ltd., an investment and corporate finance consultancy firm. He is also Independent Director of Yang Kee Logistics Pte. Ltd. in Singapore and Canadia Bank PLC in Cambodia. He has more than 20 years of experience in the banking and finance industry. He graduated from National University of Singapore with a Bachelor of Business Administration degree 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.

SENIOR MANAGEMENT

NAN YANG
Chief Financial Ofiicer

Nan Yang was appointed as the Chief Financial Officer of our Group on 15 May 2014 and is responsible for the financial and accounting aspects of our Group's business. Prior to joining our Group, he worked as Chief Financial Officer of Yanglin Soybean Inc. from October 2011 to December 2013. From September 2009 to October 2011 he was a Senior Auditor of Baker Tilly China. Prior to that, he was as accounting supervisor in Maxwell Alves Solicitors in London from January 2008 to September 2008. Nan Yang is a member of the Association of Chartered Certified Accountants. He holds a Master Of Science in International Accounting from Anglia Ruskin University.

CORPORATE
GOVERNANCE REPORT

Year ended 31 December 2016

Ouhua Energy 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 FY2016, 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 of directors 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 of directors of the Company (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 of the Company (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 (eg. 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 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.

The attendance of each Director at every Board and Board Committee meeting held during FY2016 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	3	4	3	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.

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 of whom are non-executive and independent of the management of the Company (the "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 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 of the Company (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 who has served on the Board beyond nine years from the date of his first appointment as at the end of FY2016. 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 Wei suitable to continue to act as an Independent Director. The Board has accepted the NC's recommendation that Mr Xiong Wei was considered independent.

(v) The Board has examined its size and is of the view that the current Board size of five 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 FY2016 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 Guo Zhan 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 Guo Zhan, major decisions are made in consultation with the Board which comprises a majority of Independent and Non-executive Directors. Mr Liang Guo Zhan'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.

(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 of the Group has failed to resolve or where such communication is inappropriate.

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 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.

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 years;

(c) determining annually whether a Director is independent;

(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.

(ii) 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 years.

(iii) 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.

(iv) The NC determines on an annual basis, and as and when circumstances 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.

(v) 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.

(vi) 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 companies. However, any Directors may hold more than five 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 directorships in listed companies.

(vii) 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 3 years
Mr Liang Guo Zhan	11 January 2006	29 April 2016	–	–
Mr Ye Tian Shun	15 August 2008	30 April 2015	–	–
Mr Tham Hock Chee	1 July 2010	29 April 2016	Abundance International Ltd	Sunpower Group Ltd Sun East Group Limited China Sports International Limited
Mr Xiong Wei	13 September 2006	30 April 2015	–	–
Mr Gerald Yeo @ Yeo Ah Khe	26 April 2012	30 April 2013	–	–

Mr Ye Tian Shun 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.

(vii) 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 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.

(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 rules and regulations (in particular the SGX-ST Listing Manual) are complied with.

(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

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 Non-executive and Independent Directors. The RC is chaired by Mr Gerald Yeo @ Yeo Ah Khe. The other members are Mr Tham Hock Chee and Mr Xiong Wei. 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.

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 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.

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

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

- the service agreement for Mr Ye Tian Shun is automatically renewed on a year-to-year basis;
- 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;
- the service agreement may be terminated by either the Company or the Executive Director giving not less than six 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 maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel 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 FY2016 is as follows:

Remuneration Band	Base/fixed salary	Variable or performance related income/ bonuses	Director's fees	Other benefits
Below $250,000				
Directors				
Mr Liang Guo Zhan	65%	35%	–	–
Mr Ye Tian Shun	65%	35%	–	–
Mr Xiong Wei	–	–	100%	–
Mr Tham Hock Chee	–	–	100%	
Mr Gerald Yeo @ Yeo Ah Khe	–	–	100%	–
Key Management Personnel				
Mr Yang Heping	65%	35%	–	–
Mr Yang Nan	65%	35%	–	–
Mr Cheng Weipeng	65%	35%	–	–
Ms Lin Jinjin	65%	35%	–	–

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.

(iv) There are only four management personnel whom the Company considered to be key management personnel (who are not Directors). In considering the disclosure of remuneration of these four 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 four key management personnel of the Company (who are not Directors or the CEO) for FY2016 is RMB667,022.

(v) The Group does not have any employees who are immediate family members of a Director and whose remuneration exceeded S$50,000 during FY2016.

(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.

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.

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 and are 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 the 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) 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

(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.

(i) The AC of the Company comprises three 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 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.

(ii) 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.

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

(iv) 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.

(v) 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.

(vi) The aggregate amount of audit fees paid to the external auditors in FY2016 was S$152,920 and there were no non-audit fees paid to the external auditors in FY2016. 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.

(vii) 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 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.

(viii) 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.

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 Company has outsourced the internal audit function to an external professional firm 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.

(ii) The internal auditors report directly to the Chairman of the AC.

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.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

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 SGX-Net 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.

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.

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) 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.

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

- annual reports that are prepared and issued to all shareholders within the mandatory period;
- public announcements via SGX-Net system, the press and analysts;
- notices of AGMs; and
- the Company's website at http://www.ohwa.com.sg and http://www.listedcompany.com at which shareholders can access information on the Group.

(iii) 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 proxies to attend the AGM and vote in place of the shareholder.

(iv) Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by poll in compliance with the SGX-ST Listing Manual requirements.

(v) 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.

(vi) 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 SGX-Net.

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 weeks before the announcement of the Company's results for each of the first three quarters of its financial year and the one 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 FY2016 is as follows:

Name of interested person	Aggregate value of all interested person transactions for FY2016 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions for FY2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	Aggregate value of all interested person transactions for FY2016 conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than S$100,000)
	RMB'000	RMB'000	RMB'000
Chaozhou Huafeng (Group) Incorporation Ltd			
• Lease of LPG transportation vehicles	–	12,770	12,770
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
• Sale of LPG	–	309,904	309,904
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
• Lease of storage tankers	–	–	–
Chaozhou Huafeng Refining Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	–	5,236	5,236
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
• Purchase of petrol for car usage	38	–	–

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 FY2016 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.

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 Principles 9(ii) and 9(iii) of the Corporate Governance Report. (b) Pursuant to Guideline 9.3, the Company had to disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO). However, as there were only four management personnel whom the Company considered to be key management personnel, the Company only disclosed the aggregate remuneration paid to the top four key management personnel (who are not directors or the CEO). Please refer to Principle 9(iv) of the Corporate Governance Report. (c) 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.

Guideline	Questions	How the Company complied?
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(d) 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?	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge.
	(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.	(b) The current composition of the Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience 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) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC has put in place a formal and transparent process for all 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 FY2016.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a) No new Directors were appointed in FY2016.
	(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.

CORPORATE
GOVERNANCE REPORT

Year ended 31 December 2016

Guideline	Questions	How the Company complied?
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 companies. However, any Directors may hold more than five 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.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	(a) Please refer to Principle 5 of the Corporate Governance Report.
	(b) Has the Board met its performance objectives?	(b) Yes. 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.
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 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 CEO of the Company are assumed by the same person).

CORPORATE
GOVERNANCE REPORT

Year ended 31 December 2016

Guideline	Questions	How the Company complied?
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 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 the 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 incentives? If not, what are the reasons for not disclosing so?	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.
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) There are only four management personnel whom the Company considered to be key management personnel. The annual aggregate remuneration paid to the top four Key Executives of the Company (who are not Directors or the CEO) for FY2016 is RMB667,022.

Guideline	Questions	How the Company complied?
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.
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 Chief Financial Officer 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	Questions	How the Company complied?
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$152,920. (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? (c) How does the Company keep shareholders informed of corporate developments, apart from SGX-NET announcements and the annual report?	(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 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 FY2016. 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.

REPORT OF
THE DIRECTORS

Year ended 31 December 2016

The directors of Ouhua Energy Holdings Limited (the "Company") present their report 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 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Directors

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

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

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

2. 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.

3. 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 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in Note 28 of the financial statements.

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 is chaired by Mr. Gerald Yeo, an independent director, and includes Mr. Tham Hock Chee and Mr. Xiong Wei, who are both independent directors. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the internal auditors examination and evaluation of the Company's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

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

(e) the co-operation and assistance given by the management to the Group's external auditors; and

(f) the re-appointment of the external auditors of the Group.

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.

7. Auditors

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

On behalf of the directors

LIANG GUO ZHAN	**YE TIAN SHUN**
Director	Director

17 April 2017

STATEMENT BY
THE DIRECTORS

Year ended 31 December 2016

In the opinion of the directors,

(a) the consolidated 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 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

On behalf of the directors

LIANG GUO ZHAN
Director

YE TIAN SHUN
Director

17 April 2017

INDEPENDENT
AUDITORS' REPORT

To the member of Ouhua Energy Holdings Limited

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying 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 2016, 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.

In our opinion, the 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 ("IFRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and 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 ("ISAs"). 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

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

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.

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

Overview (continued)

This significant component was audited by Mazars China as component auditors (the "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 financial statements as a whole, which included but were not limited to the following:

- Issuance of a set of comprehensive Group audit instructions to the component auditors on matters including the component materiality thresholds, risks of material misstatements identified at the Group level, specific audit procedures, reporting deliverables and the necessity of timely communication to us of matters that could have a material impact on the Group's operations and financials;
- Review of the audit plan of the significant component prepared by the component auditors and where deemed necessary, dictated additional audit procedures to be performed by them;
- On-site review of the audit working paper files prepared by the component auditors of the Group's significant component;
- Holding of teleconferences with the component auditors, as and when deemed necessary during the course of audit, to discuss about matters, including the audit approach and any other significant matters;
- Conduct of site visits of the Group's facilities, including the office premises and storage tanks;
- Holding of closing meetings with the finance teams of the significant component, the group management, and the component auditors to resolve issues and matters; and
- Provision of regular updates to the Group's management about the progress of the Group audit and, as and when deemed necessary, any significant accounting and audit issues we encountered during the course of the Group audit such that these issues can be resolved on a timely basis to facilitate the progress of the audit.

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgements and estimates to be made by directors. We will elaborate on the salient areas of focus in the key audit matters below.

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 period. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. 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.

Key Audit Matters (continued)

Revenue Recognition **Refer to Note 4 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
The Company has been on the watch-list of Singapore Stock Exchange ("SGX") since 5 March 2014 as a result of incurring continuous losses in the years before. Subsequent to reporting a net profit of RMB51.9 million for the financial year ended 31 December 2015, the Company applied for the removal from the watch-list (the "Application"). SGX is currently reviewing the Application. In consideration that the Group's financial performance is a key financial criterion in its successful Application and in view of the recent volatility in the oil and gas industry, revenue recognition was hence identified as an area of focus.	Our audit procedures included, and were not limited to, testing the design and implementation of the Group's relevant key controls over the revenue recognition; performing substantive analytical procedures, such as analysing the gross profit margins reported by the Group; performing test of details which includes inspection of corresponding delivery documents; and performing cut-off tests.

Existence and Valuation of Inventories **Refer to Note 13 to the financial statements**	
The key audit matter	***How the matter was addressed in our audit***
As at 31 December 2016, the Group reported inventories, comprising liquefied petroleum gas, with carrying amount of RMB159.0 million and which contributed 36% of the total current assets. This represented a 197% increase from the carrying amount as of the comparative reporting date despite the recent volatility in the oil and gas industry. Accordingly, the existence and valuation of the inventories were identified as an area of focus.	Our audit procedures included, and were not limited to, the observation of the inventory count conducted by management, in the presence of a third party professional examiner engaged by the management to assist them in their inventory count, and our receipt of a written confirmation on the results of the count from the professional examiner; testing the Group's application of the weighted average cost method and the appropriateness of the carrying amount of the inventories, with reference to the net realisable value (i.e. subsequent sales price and if unavailable, market price) of the inventories selected in our testing.

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Existence of Cash and Bank Balances
Refer to Note 19 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2016, the Group reported cash and bank balances of RMB77.3 million which contributed 17% of the total current assets. This represented a 113% increase from the carrying amount as of the comparative reporting date. Accordingly, the existence of cash and bank balances was identified as an area of focus.

We focused on this area in consideration of the continued volatility in the current economic environment and the significance of the cash and bank balances recorded by the Group as of 31 December 2016.</td><td>Our audit procedures included, and were not limited to, the performance of bank confirmation circularisation during which we controlled the circularisation process. All the bank balances as at 31 December 2016 were confirmed via bank confirmations which were sent and obtained by hand by us or through courier service engaged by us. For confirmations obtained by hand, we observed during the process that bank statements were printed directly by the bank representatives from their system and these statements were then attached to the bank confirmations which were stamped and signed off by the bank representatives.

All bank balances in the bank confirmations agreed to the accounting records and where applicable, we have reviewed the bank reconciliations prepared by management.</td></tr>
</table>

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 IFRSs, 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 director's 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- 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.

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

- 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
17 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	2,179,839	1,914,863
Cost of sales		(2,023,359)	(1,751,147)
Gross profit		156,480	163,716
Other operating income	5	7,751	12,027
Selling and distribution expenses		(52,296)	(43,706)
Administrative expenses		(23,064)	(26,226)
Other operating expenses		(30,175)	(25,738)
Profit from operations		58,696	80,073
Finance costs	6	(17,723)	(28,152)
Profit before income tax expense	7	40,973	51,921
Income tax expense	9	-	-
Profit for the financial year		40,973	51,921
Other comprehensive income:			
Components of other comprehensive income that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation foreign operations		(399)	(251)
Total comprehensive profit for the financial year		40,574	51,670
Earning per share attributable to owners of the Company (RMB fen per share)			
Basic and diluted	10	10.69	13.55

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

STATEMENT OF
FINANCIAL POSITION

Year ended 31 December 2016

		Group		Company	
	Note	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Non-current assets					
Property, plant and equipment	11	162,796	176,358	-	-
Investments in subsidiaries	12	-	-	156,277	156,277
Total non-current assets		162,796	176,358	156,277	156,277
Current assets					
Inventories	13	159,004	53,560	-	-
Trade and other receivables	14	86,698	96,053	-	127
Due from related parties	15	86,495	104,514	-	-
Investments	16	14,114	75,500	2,014	-
Margin deposits	17	1,587	1,485	1,587	1,485
Pledged fixed deposits	18	17,960	3,874	-	-
Cash and cash equivalents	19	77,274	36,322	351	143
Total current assets		443,132	371,308	3,952	1,755
Total assets		605,928	547,666	160,229	158,032
Current liabilities					
Trade and other payables	20	157,049	69,121	3,801	3,634
Due to a related party	15	4,496	4,208	4,496	4,208
Due to a subsidiary	21	-	-	28,432	24,572
Due to holding company	21	1,734	-	1,734	-
Bank borrowings	22	313,961	386,223	-	-
Income tax payable		2,317	2,317	-	-
Total current liabilities		479,557	461,869	38,463	32,414
Net assets		126,371	85,797	121,766	125,618
Issued capital and reserves attributable to owners of the Company					
Share capital	23	149,488	149,488	149,488	149,488
Share premium	24	130,298	130,298	130,298	130,298
Statutory reserve	25	15,662	15,662	-	-
Foreign currency translation reserve	26	5,455	5,854	3,662	5,813
Accumulated losses		(174,532)	(215,505)	(161,682)	(159,981)
Total equity		126,371	85,797	121,766	125,618

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 2016

	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 2015	149,488	130,298	15,662	6,105	(267,426)	34,127
Profit for the financial year	-	-	-	-	51,921	52,921
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	(251)	-	(251)
Total comprehensive income for the financial year	-	-	-	(251)	51,921	51,670
Balance at 31 December 2015	149,488	130,298	15,662	5,854	(215,505)	85,797
Balance at 1 January 2016	149,488	130,298	15,662	5,854	(215,505)	85,797
Profit for the financial year	-	-	-	-	40,973	40,973
Other comprehensive income:						
Exchange differences on translating foreign operations	-	-	-	(399)	-	(399)
Total comprehensive income for the financial year	-	-	-	(399)	40,973	40,574
Balance at 31 December 2016	149,488	130,298	15,662	5,455	(174,532)	126,371

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 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before income tax expense		40,973	51,921
Adjustments for:			
Depreciation of property, plant and equipment		14,911	14,284
Interest income		(157)	(203)
Interest expense		17,723	28,152
Inventory value written-down		-	355
Gain on disposal of financial assets at fair value through profit or loss		(378)	(30)
Fair value loss on financial assets at fair value through profit or loss		107	-
Operating profit before movements in working capital		73,179	94,479
Inventories		(105,444)	9,114
Trade and other receivables		9,525	(22,723)
Due from related parties		6,050	(40,859)
Margin deposits		(102)	(66)
Trade and other payables		87,476	(93,944)
Cash generated from/(used in) operations		70,684	(53,999)
Interest paid		(17,568)	(27,445)
Interest received		157	203
Net cash flows generated from/(used in) operating activities		53,273	(81,241)
Investing activities			
Proceeds from disposal of available-for-sales investments		154,900	65,010
Purchase of available-for-sales investments		(91,500)	(75,500)
Proceeds from disposal of financial assets at fair value through profit or loss		22,751	-
Purchase of financial assets at fair value through profit or loss		(24,494)	-
Purchase of property, plant and equipment	11	(1,349)	(3,259)
Net cash flows generated from/(used in) investing activities		60,308	(13,749)
Financing activities			
Decrease in pledged fixed deposits		(14,086)	38,210
Advances from holding company		1,734	-
Repayment from/(Advances to) related parties		11,969	(6,928)
Proceeds from bank borrowings		959,978	864,707
Repayments of bank borrowings		(1,032,240)	(786,195)
Net cash (used in)/generated from financing activities		(72,645)	109,794
Net increase in cash and cash equivalents		40,936	14,804
Cash and cash equivalents at beginning of financial year		36,322	21,500
Effect of foreign exchange rate changes in cash and cash equivalents		16	18
Cash and cash equivalents at end of financial year	19	77,274	36,322

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 2016

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 2016 were authorised for issue in accordance with a resolution of the directors of the Company on 17 April 2017.

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.

As at 31 December 2016, the Group's and Company's current liabilities exceeded its current assets by approximately RMB36.4 million and RMB34.5 million respectively. These conditions indicate the existence of uncertainty that may cast doubt about the Group's and Company's ability to continue as going concerns.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

As at 31 December 2016, bank borrowings of the Group comprised trust receipts and bank loan of RMB153.0 million and RMB161.0 million respectively. These are payable within the next twelve months and hence have been classified as current liabilities as at reporting date. As of the date of this financial statements, the Group has applied for and received approval from the bank to reschedule the repayment of loan of RMB161.0 million. Under the new repayment schedule, RMB56.0 million, RMB60.0 million and RMB45.0 million will be payable in financial year 2017, 2018 and 2019 respectively. Based on this, the Group and the Company continued to prepare the financial statements for the financial year ended 31 December 2016 on a going concern basis.

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 the current financial year. The adoption of these new/revised IFRS and IFRIC did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

IFRS and IFRIC issued but not effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Amendments to IFRS 2: Classification and measurement of share-based payment Transaction	1 January 2018
IFRS 4	Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 insurance contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
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	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15	Amendments to IFRS 15: Effective date of IFRS 15	1 January 2018
IFRS 15	Amendments to IFRS 15: Clarifications to IFRS 15	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 7	Amendments to IAS 7: Disclosure Initiative	1 January 2017
IAS 12	Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 40	Amendments to IAS 40: Transfers of Investment Property	1 January 2018
Various	Improvements to IFRSs (December 2016)	Various
IFRIC 22	Foreign currency Transactions and Advance Consideration	1 January 2018

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2016. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

IFRS 9 Financial Instruments

IFRS 9 supersedes *IAS 39 Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in IAS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognise lifetime expected credit losses on the affected assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes *IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 113 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and INT IFRS 31 Revenue – Barter Transactions Involving Advertising Services* to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Entities are required to adopt a five-step model which requires (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocation the transaction price to the performance obligations in the contract; and (v) recognise revenue when or as the entity satisfies a performance obligation.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services.

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.

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.

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 circumstance 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.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

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* 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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

<u>Sale of goods</u>

Revenue from the sale of liquefied petroleum gas ("LPG"), propane ("C3") and butane ("C4") is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Normally these criteria are met when the goods are delivered to or collected by and accepted by the buyer.

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

2.3 Revenue recognition (Continued)

Rendering services

Revenue from tug boat service is recognised in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Interest income

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

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.

2. Summary of significant accounting policies (Continued)

2.6 Income taxes (Continued)

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.

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. Summary of significant accounting policies (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

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 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 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 Group reviews the estimated useful life of the vessel 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 vessel could impact the economic useful life and the residual value of the vessel. 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.

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. Summary of significant accounting policies (Continued)

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

Financial assets and financial liabilities are recognised on the Group's and the Company's statements of financial position when the Group and the Company become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest 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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets

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.

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.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the 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 Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instrument.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Trade and other payables, notes payable and due to a related party/subsidiary/holding company (excluding advances from customers).

Trade and other payables and due to a related party/subsidiary/holding company 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.

Borrowings

Interest-bearing bank loans 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 Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid 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.

2. Summary of significant accounting policies (Continued)

2.14 Leases

Operating leases

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.

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.

(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 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 2016 was $156,277,000 (2015: $156,277,000).

(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 amounts of the Group's property, plant and equipment as at 31 December 2016 were RMB162,796,000 (2015: RMB176,358,000).

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

3.1 Critical judgements in applying the entity's accounting policies (Continued)

(iv) Impairment of loans and receivables

The allowance policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required. The carrying amount of the Group and the Company's loans and receivables were RMB197,066,000 and RMB1,938,000 (2015: RMB188,172,000 and RMB1,628,000) respectively.

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) 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 amounts of the Group's property, plant and equipment as at 31 December 2016 were RMB162,796,000 (2015: RMB176,358,000).

(ii) 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 2016 was RMB159,004,000 (2015: RMB53,560,000).

(iii) 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 2016 was approximately RMB2,317,000 (2015: RMB2,317,000).

4. Revenue

Revenue represents invoiced amount of liquefied petroleum gas, propane and butane sold net of discounts, returns and value added tax.

5. Other operating income

	Group	
	2016	2015
	RMB'000	RMB'000
Tug boat service	929	636
Interest income from fixed deposits	115	154
Subsidies from government*	863	612
Gain from available-for-sales investments	42	49
Vessel rental income	5,234	10,546
Warehouse rental income	190	-
Gain on disposal of financial assets at fair value through profit or loss	378	30
	7,751	12,027

* 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	
	2016	2015
	RMB'000	RMB'000
Interest on trust receipts	6,525	12,128
Interest on bank borrowings	11,198	16,024
	17,723	28,152

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/(credits):

	Group	
	2016	2015
	RMB'000	RMB'000
Foreign exchange loss, net	21,345	24,867
Audit fees paid to auditors		
- Auditors of the Company	476	447
- Other auditors	252	240
Operating lease expenses	6,319	13,033
Depreciation on property, plant and equipment (Note 11)	14,911	14,284
Employee benefit costs (Note 8)	10,363	14,831
Marine freight	31,059	33,561
Inventory value written-down	-	355
Fair value loss on financial assets at fair value through profit or loss	107	-

8. Employee benefits costs

	Group 2016 RMB'000	Group 2015 RMB'000
Salaries, bonuses and allowances	9,142	13,621
Contributions to retirement benefits schemes	473	432
Other social security cost	748	778
	10,363	14,831

Employee benefits costs included the amounts shown as Directors' remuneration in Note 28(b) to the financial statements.

9. Income tax expense

(a) Income tax expense in the consolidated profit or loss is as follows:

	Group 2016 RMB'000	Group 2015 RMB'000
Current tax	-	-

(b) Reconciliation of effective tax rate:

	Group 2016 RMB'000	Group 2015 RMB'000
Profit before income tax expense	40,973	51,921
Tax calculated at applicable PRC tax rate of 25% (2015: 25%)	10,243	12,980
Tax effect of non-deductible items	4,153	4,122
Utilisation of deferred tax asset previously not recognised arising from tax losses	(14,396)	(17,102)
	-	-

The Company is exempted from income in the country of incorporation.

At the reporting date, the subsidiary of the Group has unutilised tax losses amounted to RMB159,021,000 (2015: RMB216,605,000) 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.

9. Income tax expense (Continued)

(c) 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.

10. Earning per share

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

	2016	2015
Profit attributed to equity holders (RMB'000)	40,973	51,921
Weighted average number of ordinary shares ('000)	383,288	383,288
Basic and diluted earning per share (RMB fen)	10.69	13.55

Basic earning 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 earning 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 2016 and 2015.

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 2016	183,233	115,000	17,777	3,978	1,522	3,912	325,422
Additions	83	-	77	143	28	1,018	1,349
Balance at 31 December 2016	183,316	115,000	17,854	4,121	1,550	4,930	326,771
Accumulated depreciation							
Balance at 1 January 2016	97,096	24,426	17,333	1,430	1,453	2,350	144,088
Charged for the financial year	8,116	5,244	46	304	12	1,189	14,911
Balance at 31 December 2016	105,212	29,670	17,379	1,734	1,465	3,539	158,999
Accumulated impairment losses							
Balance as at 1 January / 31 December 2016	-	4,976	-	-	-	-	4,976
Carrying amount							
At 31 December 2016	78,104	80,354	475	2,387	85	1,391	162,796

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	Construction in progress RMB'000	Total RMB'000
Cost								
Balance at 1 January 2015	183,200	115,000	17,766	2,988	1,441	1,735	33	322,163
Additions	-	-	11	990	81	2,177	-	3,259
Transfer	33	-	-	-	-	-	(33)	-
Balance at 31 December 2015	183,233	115,000	17,777	3,978	1,522	3,912	-	325,422
Accumulated depreciation								
Balance at 1 January 2015	89,031	19,182	17,288	1,127	1,441	1,735	-	129,804
Charged for the financial year	8,065	5,244	45	303	12	615	-	14,284
Balance at 31 December 2015	97,096	24,426	17,333	1,430	1,453	2,350	-	144,088
Accumulated impairment losses								
Balance as at 1 January/31 December 2015	-	4,976	-	-	-	-	-	4,976
Carrying amount								
At 31 December 2015	86,137	85,598	444	2,548	69	1,562	-	176,358

11. Property, plant and equipment (Continued)

As at 31 December 2016, property, plant and equipment amounting to approximately RMB123,850,256 (2015: RMB133,875,765) were pledged with a bank for banking facilities granted (Note 22).

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 had 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 is 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 2016 RMB'000	Company 2015 RMB'000
Unquoted equity investment, at cost	221,417	221,417
Loan to a subsidiary [(a)]	62,860	62,860
Less: Allowance for impairment	(128,000)	(128,000)
	156,277	156,277

(a) The loan to a subsidiary forms part of the Company's net investment. The loan is unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future.

Prior to financial year 2015, a subsidiary incurred operating loss. This had caused the Company to assess the recoverable amount of the investment in subsidiary. Based on the assessment, the Company recognised total impairment loss of RMB128,000,000, representing the write down of the investment in subsidiary to its recoverable amount based on the subsidiary's fair value less cost to sell.

During the current financial year, the Company carried out a similar review of the recoverable amount of the investment in subsidiaries, no further impairment loss is required.

Details of the subsidiaries are as follow:

Name of subsidiary/ (Principal place of business)	Registered capital	Effective equity held by the Group 2016	Effective equity held by the Group 2015	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.

13. Inventories

	Group 2016 RMB'000	Group 2015 RMB'000
Raw materials	155,606	50,468
Finished goods	3,398	3,447
Less: Inventories written-down	-	(355)
	159,004	53,560

13. Inventories (Continued)

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Movement of allowances for inventories written-down:		
At 1 January	355	10,277
Addition during the financial year	-	355
Utilisation during the financial year	(355)	(10,277)
At 31 December	-	355

Cost of inventories recognised in cost of sales amounted to approximately RMB1,917,915 (2015: RMB1,730,517,000) during the financial year.

Write-downs of inventories to net realisable value amounted to RMBNil (2015: RMB355,000).

The Group reversed RMB355,000 (2015: RMB10,277,000) of a previous inventory write-down, as the Group sold the relevant goods at above carrying value that had been written down at original cost. The amount reversed has been included in 'cost of sales' in the income statement.

14. Trade and other receivables

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Trade receivables – third parties	12,610	40,441
Allowance for impairment of trade receivables		
At 1 January / 31 December	(899)	(899)
	11,711	39,542
Prepayments	95	559
Advances to suppliers	68,985	37,851
Value added tax receivable, net	3,868	15,666
Staff advances	432	417
Others	1,646	2,057
Allowance for impairment of other receivables		
At 1 January / 31 December	(39)	(39)
Total trade and other receivables	86,698	96,053
Add: Due from related parties (Note 15)	86,495	104,514
Add: Margin deposits (Note 17)	1,587	1,485
Add: Pledged fixed deposits (Note 18)	17,960	3,874
Add: Cash and cash equivalents (Note 19)	77,274	36,322
Less: Advance to suppliers	(68,985)	(37,851)
Less: Prepayments	(95)	(559)
Less: Value added tax receivable, net	(3,868)	(15,666)
Total loans and receivables	197,066	188,172

14. Trade and other receivables (Continued)

	Company 2016 RMB'000	Company 2015 RMB'000
Prepayments	-	127
Add: Margin deposits (Note 17)	1,587	1,485
Add: Cash and cash equivalents (Note 19)	351	143
Less: Prepayments	-	(127)
Total loans and receivables	1,938	1,628

Trade receivables from third parties are non-interest bearing and are generally on credit term of 10 days (2015: 10 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition. Allowance for trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB11,711,000 (2015: RMB39,542,000) which are past due at the end of the financial year for which the Group has not provided for as there has not been a significant change in credit quality and the management is confident of its recoverability.

15. Due from/to related parties

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Due from related parties				
Trade	86,495	92,545	-	-
Non-trade	-	11,969	-	-
	86,495	104,514	-	-
Due to a related party				
Non-trade	4,496	4,208	4,496	4,208

The trade amount owing from a related party is non-interest bearing and are generally on credit term stated in the agreement.

The non-trade amount owing from related parties is denominated in RMB, unsecured, interest-free and is repayable on demand. The carrying amounts of due from related parties approximate their fair values.

The non-trade amount owing to a related party is denominated in USD, unsecured, interest-free and is repayable on demand. The carrying amount of due to a related party approximates its fair value.

16. Investments

	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
Investments, at fair value				
Available-for-sale	12,100	75,500	-	-
Financial assets at fair value through profit or loss	2,014	-	2,014	-
Total investments	14,114	75,500	2,014	-

Available-for-sale investment represents investments in unit trust and financial assets at fair value through profit or loss represents investments in commodity contracts.

17. 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.

18. Pledged fixed deposits

Fixed deposits at the end of the financial year have an average maturity period of 3 months (2015: 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% (2015: 0.30%) per annum. The carrying amounts of pledged fixed deposits approximate their fair values.

19. Cash and cash equivalents

	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
Cash balances	987	514	-	-
Bank balances	76,287	35,808	351	143
	77,274	36,322	351	143

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

As at 31 December 2016, the Group has cash and cash equivalents placed with banks in the PRC amounting to RMB76,287,000 (2015: RMB35,808,000). 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.

20. Trade and other payables

	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
Trade payables	95,472	32,421	-	-
Accrued expenses	13,831	12,470	1,201	1,200
Advance from customers	41,726	20,011	-	-
Due to a director	2,575	2,411	2,575	2,411
Others	3,445	1,808	25	23
Total trade and other payables	157,049	69,121	3,801	3,634
Add: Due to a related party (Note 15)	4,496	4,208	4,496	4,208
Add: Due to a subsidiary	-	-	28,432	24,572
Add: Due to holding company	1,734	-	1,734	-
Less: Advances from customers	(41,726)	(20,011)	-	-
Total other financial liabilities	121,553	53,318	38,463	32,414

Trade payables are non-interest bearing and are normally settled on 30 days (2015: 30 days) terms while other payables have an average term of 10 days (2015: 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.

21. Due to a subsidiary and holding company

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

22. Bank borrowings

	Group 2016 RMB'000	Group 2015 RMB'000
Trust receipts	152,961	179,223
Bank loan	161,000	207,000
	313,961	386,223

Trust receipts were secured by pledged fixed deposits (Note 18) and corporate guarantees from related parties and personal guarantee by a director.

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 average effective borrowing rates for trust receipts and bank borrowings range between 1.92% (2015: 2.00%) and 5.86% (2015: 5.86%) respectively.

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

22. Bank borrowings (Continued)

In the previous financial year, a subsidiary of the Group breached the covenant that requires the maintenance of asset liability ratio at 85%. As a result, the entire outstanding loan of RMB207,000,000 was presented as current liabilities at the end of the reporting period. The bank was contractually entitled to request for immediate repayment of the outstanding loan amount. The bank did not request for immediate repayment for outstanding loan amount up to the date of authorisation of 2015 financial statements.

During the current financial year, the subsidiary has complied with the said covenant. However considering the loan is due in year 2017, the entire outstanding loan of RMB161,000,000 was presented as current liabilities at the end of the reporting period.

23. Share capital

	2016	2015	Group and Company 2016		2015	
	No. of ordinary shares ‘000	‘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.

24. Share premium

	Group and Company 2016		2015	
	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.

25. 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 2016 and 2015 as the Group’s PRC subsidiary is in an accumulated loss position at the end of both financial years.

26. 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.

27. 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	
	2016 RMB'000	2015 RMB'000
Within one year	5,924	6,313
After one financial year but not later than five years	21,483	21,984
After five years	25,511	30,844
	52,918	59,141

Lease for office premises is initially for period of four 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.

28. 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;

28. Significant related party transactions (Continued)

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

(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).

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.

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	
	2016 RMB'000	2015 RMB'000
Revenue		
Sale of LPG to a related party	309,904	288,727
Expenses		
Lease of port terminals, land use rights, office premises and staff dormitory paid to a related party	(5,236)	(5,364)
Vessel rental paid to a related party	(7,029)	(5,744)
LPG transportation vehicles rental paid to related party	(5,741)	(385)
Storage tanker rental paid to a related party	-	(206)
Petrol for car usage paid to a related party	(38)	(82)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the financial year are as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Director's fees	572	546
Short-term benefits	627	576
Post-employment benefits	43	44
	1,242	1,166

29. Financial instruments and financial risk

The Group's activities expose it to credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk and commodity price 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.

At the reporting date, the Company's trade receivables comprise 1 debtor (2015: 1 debtor), a related party of the Company, that individually represented more than 87% (2015: 70%) 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.

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, available-for-sale financial assets and pledged fixed deposits.

As at 31 December 2016 and 2015, substantially all the margin deposits, pledged fixed deposits and cash and cash equivalents as detailed in Notes 17, 18 and 19 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.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

29. Financial instruments and financial risk (Continued)

Credit risk (Continued)

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

	Group 2016 RMB'000	Group 2015 RMB'000
Past due for 1 to 30 days	10,148	39,360
Past due for 31 to 90 days	933	17
Past due for 91 to 180 days	630	165
	11,711	39,542

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	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	-	11,711	-	11,711
Value added tax receivable, net	-	3,868	-	3,868
Staff advances	-	432	-	432
Others	-	1,607	-	1,607
Due from related parties	-	86,495	-	86,495
Investments	-	14,114	-	14,114
Cash and cash equivalents	-	77,274	-	77,274
As at 31 December 2016		195,501	-	195,501
Trade receivables – third parties	-	39,542	-	39,542
Value added tax receivable, net	-	15,666	-	15,666
Staff advances	-	417	-	417
Others	-	2,018	-	2,018
Due from related parties	-	104,514	-	104,514
Investments	-	75,500	-	75,500
Cash and cash equivalents	-	36,322	-	36,322
As at 31 December 2015		273,979	-	273,979

29. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

Group	Effective interest rate %	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
		Group		
Undiscounted financial liabilities				
Trade payables	-	95,472	-	95,472
Accrued expenses	-	13,831	-	13,831
Due to a director	-	2,575	-	2,575
Others	-	3,445	-	3,445
Due to a related party	-	4,496	-	4,496
Due to holding company	-	1,734	-	1,734
Bank borrowings, fixed interest rates	1.60 – 2.20	153,348	-	153,348
Bank borrowings, floating interest rates	5.71 – 6.01	168,439	-	168,439
As at 31 December 2016		443,340	-	443,340
Trade payables	-	32,421	-	32,421
Accrued expenses	-	12,470	-	12,470
Due to a director	-	2,411	-	2,411
Others	-	1,808	-	1,808
Due to a related party	-	4,208	-	4,208
Bank borrowings, fixed interest rates	1.50 – 6.00	179,499	-	179,499
Bank borrowings, floating interest rates	5.71 – 6.01	219,474	-	219,474
As at 31 December 2015		452,291	-	452,291
Total undiscounted net financial liabilities - at 31 December 2016		(247,839)	-	(247,839)
- at 31 December 2015		(178,312)	-	(178,312)

The Group's operations are financed mainly through equity and bank borrowings. Adequate lines of credits are maintained and financial support from related parties to ensure the necessary liquidity is available when required.

	Effective interest rate %	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
		Company		
Undiscounted financial assets				
Cash and cash equivalents	-	351	-	351
Investments	-	2,014	-	2,014
As at 31 December 2016	-	2,365	-	2,365
Cash and cash equivalents	-	143	-	143
As at 31 December 2015	-	143	-	143

29. 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 liabilities				
Trade and other payables	-	3,801	-	3,801
Due to related party	-	4,496	-	4,496
Due to a subsidiary	-	28,432	-	28,432
Due to holding company	-	1,734	-	1,734
As at 31 December 2016	-	38,463	-	38,463
Trade and other payables	-	3,634	-	3,634
Due to related party	-	4,208	-	4,208
Due to a subsidiary	-	24,572	-	24,572
As at 31 December 2015	-	32,414	-	32,414
Total undiscounted net financial assets/(liabilities)				
- At 31 December 2016		(36,098)	-	(36,098)
- At 31 December 2015		(32,271)	-	(32,271)

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.

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Interest rate risk (Continued)

	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 2016				
Bank borrowings	(783)	783	-	-
As at 31 December 2015				
Bank borrowings	(1,275)	1,275	-	-

The Company has no significant exposure to interest rate risk.

Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions denominated in foreign currencies arising from normal trading, borrowings and investment activities. However, to minimise such foreign currency exposures, the Group uses a combination of derivative financial instruments such as forward foreign exchange contracts and natural hedges. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The currency giving rise to foreign currency risk is primarily the United States dollar ("USD") and Singapore dollar ("SGD").

Group 2016	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Trade receivables – third parties	-	11,711	-	11,711
Value added tax receivable, net	-	3,868	-	3,868
Staff advances	-	432	-	432
Others	-	1,607	-	1,607
Due from related parties	-	86,495	-	86,495
Margin deposits	1,587	-	-	1,587
Investments	-	14,114	-	14,114
Pledged fixed deposits	-	17,960	-	17,960
Cash and cash equivalents	327	76,923	24	77,274
	1,914	213,110	24	215,048
Financial liabilities				
Trade payables	95,472	-	-	95,472
Accrued expenses	-	12,630	1,201	13,831
Due to a director	-	-	2,575	2,575
Due to holding company	1,734	-	-	1,734
Others	-	3,420	25	3,445
Due to related parties	4,496	-	-	4,496
Bank borrowings	152,961	161,000	-	313,961
	254,663	177,050	3,801	435,514
Net financial (liabitlities)/assets	(252,749)	36,060	(3,777)	(220,466)
Less: Net liabilities/(assets) denominated in respective entities functional currency	4,316	(36,060)	-	(31,744)
Currency exposure	(248,433)	-	(3,777)	(252,210)

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Group 2015	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Financial assets				
Trade receivables – third parties	33,839	5,703	-	39,542
Value added tax receivable, net	-	15,666	-	15,666
Staff advances	-	417	-	417
Others	-	2,057	-	2,057
Allowances for impairment of other receivables	-	(39)	-	(39)
Trade and other receivables	33,839	23,804	-	57,643
Due from related parties	-	104,514	-	104,514
Margin deposits	1,485	-	-	1,485
Investments	-	75,500	-	75,500
Pledged fixed deposits	-	3,874	-	3,874
Cash and cash equivalents	117	36,179	26	36,322
	35,441	243,871	26	279,338
Financial liabilities				
Trade payables	32,421	-	-	32,421
Accrued expenses	-	11,270	1,200	12,470
Due to a director	-	-	2,411	2,411
Other	-	1,785	23	1,808
Trade and other payables	32,421	13,055	3,634	49,110
Due to related parties	4,208	-	-	4,208
Bank borrowings	179,223	207,000	-	386,223
	215,852	220,055	3,634	439,541
Net financial (liabitlities)/assets	(180,411)	23,816	(3,608)	(160,203)
Less: Net liabilities/(assets) denominated in respective entities functional currency	2,606	(23,816)	-	(21,210)
Currency exposure	(177,805)	-	(3,608)	(181,413)

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Company	**USD**	**RMB**	**SGD**	**Total**
2016	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Cash and cash equivalents	327	-	24	351
Margin deposits	1,587	-	-	1,587
Investments	2,014	-	-	2,014
	3,928	-	24	3,952
Financial liabilities				
Trade and other payables	-	-	3,801	3,801
Due to a subsidiary	-	28,432	-	28,432
Due to a related party	4,496	-	-	4,496
Due to holding company	1,734	-	-	1,734
	6,230	28,432	3,801	38,463
Net financial liabitlities	(2,302)	(28,432)	(3,777)	(34,511)
Less: Net liabilities denominated in functional currency	2,302	-	-	2,302
Currency exposure	-	(28,432)	(3,777)	(32,209)
2015				
Financial assets				
Cash and cash equivalents	117	-	26	143
Margin deposits	1,485	-	-	1,485
	1,602	-	26	1,628
Financial liabilities				
Trade and other payables	-	-	3,634	3,634
Due to a subsidiary	-	24,572	-	24,572
Due to a related party	4,208	-	-	4,208
	4,208	24,572	3,634	32,414
Net financial liabitlities	(2,606)	(24,572)	(3,608)	(30,786)
Less: Net liabilities denominated in functional currency	2,606	-	-	2,606
Currency exposure	-	(24,572)	(3,608)	(28,180)

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December				
USD	(24,843)	(17,781)	(24,843)	(17,781)
SGD	(378)	(361)	(378)	(361)

A 10% weakening of RMB against the foreign currencies would have an equal but opposite effect.

The Company has no significant exposure to foreign currency risk.

Commodity price risk

The Group has commodity price risk as Propane ("C3") is traded commodity via the Group's trading in the contracts (Note 16). Any significant movements in the prices for C3 may have a material impact on the financial position and results of operation.

30. Fair value of assets and liabilities

The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 - the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 - in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 - in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

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

30. Fair value of assets and liabilities (Continued)

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy as at the financial year:

	Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
2016				
Financial assets				
Investments	14,114	-	-	14,114
At 31 December	14,114	-	-	14,114
2015				
Financial assets				
Investments	75,500	-	-	75,500
At 31 December	75,500	-	-	75,500

The carrying amounts of the financial assets and financial liabilities, including cash and cash equivalents, trade and other receivables and payables and the above financial assets, approximate their respective fair values.

31. 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 22 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. The Group is also subject to a bank covenant for its bank borrowings to maintain an asset liability ratio of 85%.

As disclosed in Note 25, 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.

31. Capital management policies and objectives (Continued)

The Group's strategy was to maintain the debt to equity ratio under 1. The debt-equity ratios as at 31 December 2016 and 2015 were as follows:

	Group	
	2016 RMB'000	2015 RMB'000
Total liabilities	479,557	461,869
Equity	126,371	85,797
Debt to equity ratio	3.79	5.38

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

The Group's overall strategy remains unchanged from 2015.

32. 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	
	2016 RMB'000	2015 RMB'000
PRC	1,976,988	1,722,874
Asia Pacific	202,851	191,989
	2,179,839	1,914,863

Major customers

The revenues from one customer, which is a related party, of the Group's trading segment represent approximately RMB309,904,000 (2015: RMB288,727,000.).

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

STATISTICS OF **SHAREHOLDINGS**

As at 12 May 2017

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 SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 12 MAY 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.05	20	0.00
100 - 1,000	51	2.62	50,700	0.01
1,001 - 10,000	847	43.55	6,140,000	1.60
10,001 - 1,000,000	1,029	52.91	62,019,600	16.18
1,000,001 and above	17	0.87	315,077,680	82.21
Total	**1,945**	**100.00**	**383,288,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Mr Liang Guo Zhan	100	Nm[2]	220,914,000	57.64
High Tree Worldwide Ltd[1]	220,914,000	57.64	–	–
Ms Wang Hua Zhu	21,880,000	5.71	–	–

(1) High Tree Worldwide Ltd. is wholly-owned by Mr Liang Guo Zhan, the Executive Chairman of the Company. Mr 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 CIMB Securities (Singapore) Pte Ltd.

(2) Not meaningful.

STATISTICS OF
SHAREHOLDINGS

As at 12 May 2017

20 LARGEST SHAREHOLDERS AS AT 12 MAY 2017

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CIMB SECURITIES (SINGAPORE) PTE LTD	245,874,780	64.15
2	WANG HUA ZHU	21,880,000	5.71
3	PHILLIP SECURITIES PTE LTD	11,860,000	3.09
4	TANG YUAN BO	7,792,000	2.03
5	XU RIZHAO	7,464,400	1.95
6	MAYBANK KIM ENG SECURITIES PTE LTD	4,340,000	1.13
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	UOB KAY HIAN PTE LTD	1,548,000	0.40
12	GAN TIAM SIANG	1,527,500	0.40
13	OCBC SECURITIES PRIVATE LTD	1,268,000	0.33
14	KIM SENG HOLDINGS PTE LTD	1,190,000	0.31
15	GUO SHAO KAI	1,094,000	0.29
16	TAN ENG CHUA EDWIN	1,054,000	0.27
17	LEE LENG LOKE	1,053,000	0.27
18	CHIANG LIEW CHIN	900,000	0.23
19	CHEN SHAOWEN	806,000	0.21
20	CHUA GEOK CHENG	707,000	0.18
	TOTAL:	**317,490,680**	**82.81**

FREE FLOAT

Based on the information provided to the Company as at 12 May 2017, approximately 36.62% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the SGX-ST Listing Manual 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 Thursday, 15 June 2017 at 10:00 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 2016 together with the report of the Auditors and Directors' Statement. **(Resolution 1)**

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

   Mr Ye Tian Shun (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 2016. **(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);

(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 2016 (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
24 May 2017

NOTICE OF
ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(1) Mr Ye Tian Shun will, upon re-election as Director of the Company, remain as the executive director 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, 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 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.

NOTICE OF
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.

24 May 2017

This Appendix is circulated to shareholders of Ouhua Energy Holdings Limited (the "Company") (the "Shareholders") 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 Lotus Room, Peninsula Tower, Level 5, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Thursday, 15 June 2017 at 10:00 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 (the "SGX-ST") 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"	:	The Company and its 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 Refining"	:	潮州市华丰造气厂有限公司 (Chaozhou Huafeng Refining Co., 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

APPENDIX

"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
"Audit Committee"	:	The audit committee of the Company
"Bye-laws"	:	The bye-laws of the Company, as amended, supplemented or modified from time to time
"Directors"	:	The directors of the Company
"Latest Practicable Date"	:	12 May 2017, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The Listing Manual of the SGX-ST
"LPG"	:	Liquefied petroleum gas
"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.

APPENDIX

Any references to “we”, “our”, and “us” or other grammatical variations thereof in this Appendix is a reference to the Company, the Group or any member of the 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 and 29 April 2016 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 15 June 2017, 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. Mr Liang Guo Zhan, our Executive Chairman, owns 79.0% of Huafeng Group while Ms Wang Hua Zhu, our Substantial Shareholder and mother of Mr Liang Guo Zhan, and Mr Guo Shao Kai, own 20.0% and 1.0% 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 94.4% of Huafeng Incorporation while the remaining shareholders are Huafeng Group's union (a body representing the employees of Huafeng Group) holding 3.5% and Associates of Liang Guo Zhan holding 2.1%.

<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 75.0% of Huafeng Storage while Hongkong Huaye (a company which is 70.0% owned by Ms Liang Ya Ling, a sister of Liang Guo Zhan) owns the remaining 25.0%.

Zhongkai Huafeng

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. Huafeng Incorporation owns 90.0% of Zhongkai Huafeng while Ms 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 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.

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 RMB500,000, 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 RMB500,000, 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 RMB20.0 million, all transactions comprising such an amount will be reviewed by our Audit Committee to ensure that 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

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 29 April 2016 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.

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

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], [2]	100	nm[3]	220,914,000	57.64
Ye Tian Shun	–	–	–	–
Gerald Yeo @ Yeo Ah Khe	150,000	nm[3]	–	–
Tham Hock Chee	–	–	–	–
Xiong Wei	–	–	–	–
Substantial Shareholders				
High Tree Worldwide Ltd.[1]	220,914,000	57.64	–	–
Wang Hua Zhu[2]	21,880,000	5.7	–	–

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 CIMB Securities (Singapore) Pte. Ltd.

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

(3) Not meaningful.

High Tree Worldwide Ltd. and Ms Wang Hua Zhu will abstain, and have undertaken to ensure that their 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 2016 of the Company, will be held on Thursday, 15 June 2017 at 10:00 a.m. at Lotus Room, Peninsula Tower, Level 5, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

APPENDIX

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 13 June 2017, 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").

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") 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

OUHUA ENERGY HOLDINGS LIMITED

Long Wan Suo Cheng Town, Raoping County,
Chaozhou City, Guangdong Province
The People's Republic of China
Tel: (86) 768 286 3988
Fax: (86) 768 286 3977
Web: www.ohwa.com.sg