



OUHUA ENERGY HOLDINGS LIMITED



GEARING UP

ANNUAL REPORT 2015

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 local market share. In addition to importing most of the raw materials, namely butane and propane, from overseas suppliers and processing these into LPG, we also directly purchase LPG from domestic refineries for sale to customers across the PRC, and export 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 station and the production of dimethyl ether (“DME”), to further integrate advanced technology into our operations and extend product chain which utilises the same raw materials to ensure that we retain competitive edge 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 is to seize opportunities which are before us, to earn and maintain the trust of our clients, establish a high-value market position, innovate and achieve sustainable development.



CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to announce that the year ended 31 December 2015 ("FY2015") marked a return to profitability for our group.

Our operating environment remained difficult this year due to the continued slowdown in China's economic growth, a weaker Renminbi ("RMB") and declining prices of oil and our core product in Liquefied Petroleum Gas (LPG). Nonetheless, through prudent management we were able to successfully navigate these challenges, ultimately registering a net profit of RMB51.92 million in FY2015 from a loss of RMB156.46 million in FY2014.

BUSINESS REVIEW

The group's revenue declined slightly in FY2015, decreasing by 3.7% compared to FY2014 for a final figure of RMB1.91 billion. This was mainly due to the decrease in average sale prices of LPG from RMB5,251 per tonne in 2014 to RMB3,267 per tonne in 2015, but was offset by a rise in sales from 398,600 tonnes in 2014 to 586,160 tonnes in 2015.

Our higher sales volume can primarily be attributed to increased domestic demand in China due to a shortfall of LPG supply from other parts of China, partially as a result of government initiatives to switch from coal to environmentally-friendly sources of energy. The Group's newer segments in western China and Southeast Asia developed over the last few years also contributed to this increase in sales volume.

Despite lower LPG prices, the global decline in oil prices resulted in our gross profit increasing by RMB199.80 million to RMB163.72 million in FY2015 compared to a loss of RMB36.08 million last year. Correspondingly, gross profit margins increased from negative 1.81% to positive 8.55% in this period.

As a result of these factors the group was able to record a net profit attribute to equity holders of RMB51.92 million for FY2015 compared to a net loss of RMB156.46 million in FY2014.

BUSINESS STRATEGY

Despite rough operating conditions, our Group was able to weather these challenges due to the strategic advances we have implemented over the last few years. Going forward, we will continue to reinforce our position as we look to rise above these difficulties and strive for greater heights.

The external factors we have faced these few years like China's slowed economic growth, a weaker RMB and declining international oil prices look to remain in the near future. However, rather than resigning ourselves to adversity, the Group will take an approach of actively seeking out opportunities inherent within these conditions. As the world's second-largest importer of oil, China's import bill stands to benefit from the substantial decline of international oil prices, which might also provide opportunities for better economic and business conditions for China and the Group as reflected in our performance in FY2015.



Looking ahead, our Group will continue to be prudent in managing our business risks and controlling our operating costs as we advance our strategic initiatives to manage the aforementioned conditions. As such, we will be well-positioned to take advantage of available opportunities and meet the coming challenges as we strive to further improve profitability in 2016.

OUTLOOK FY2016

Despite an unstable operating environment, the Group looks set to benefit from a growing LPG market that saw a surge in sales volume this year.

Despite slowing growth for oil and related products, apparent demand for LPG in China gained by 22% year-over-year in China for 2015, and is expected to register 10% growth again next year.¹ And while China's economic growth in 2015 of 6.9% was slightly short of the forecasted figure of 7.0%, these slowing growth figures are in line with expectations of a maturing economy aiming for sustainable growth rates. As such, our business outlook in China, our main market continues looks optimistic in the face of sustained demand for our core product.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, 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 and understanding in us. 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

¹ China Oil Demand Grew 1.5% Year Over Year in November (<http://www.platts.com/pressreleases/2016/010516b>)

主席 致辞

尊敬的各位股东：

我很高兴地宣布，截至 2015 年 12 月 31 日，本财年（“2015 财年”）的业绩表明我们集团已开始回归盈利。

此年度由于中国的经济增长持续放缓、人民币（“RMB”）疲软、石油和液化石油气（LPG）的价格下跌，我们的运营环境一直非常困难。尽管如此，通过谨慎的管理，我们成功地克服了这些困难，最终从 2014 财年归属股东净亏损人民币 15,646 万元扭亏为盈，实现了 2015 财年净盈利人民币 5,192 万元。

业务概述

2015 财年，集团的营业收入与 2014 财年相比略有下降，减少了 3.7%，最终收入为人民币 19.1 亿。这主要是由于 LPG 的平均销售价格下降所致，LPG 的平均销售价格从 2014 年的每吨人民币 5,251 元下降到 2015 年的每吨人民币 3,267 元，但是我们的 LPG 销售量从 2014 年的 398,600 吨上升至 2015 年的 586,160 吨，销售量的上升弥补了价格下降造成的损失。

由于中国政府施行由煤炭转向更为环保的能源的政策，这造成了中国国内的需求量增长，而来自中国其他地区的 LPG 供应又不足，是主要导致我们销售量增加的原因。过去几年

中，集团在中国西部和东南亚开拓了新市场，这也促进了销售量的提升。

尽管 LPG 价格下降，但全球石油价格的下跌使我们的毛利润增加了人民币 19,980 万元，从去年亏损的人民币 3,608 万元至 2015 财年的毛利为人民币 16,372 万元。与此相应，在此阶段内毛利率从负 1.81% 增加至正 8.55%。

由于上述这些因素，与 2014 财年归属股东净亏损的人民币 15,646 万元相比，本集团在 2015 财年为股权持有人赢得人民币 5,192 万元的净利润。

业务战略

尽管运营环境非常困难，但这几年我们所实施的策略，使集团顺利地闯过了这些难关。未来我们将继续巩固我们的地位，不仅要克服困难，还要百尺竿头更进一步。

这些年中我们所面临的外部不利因素，如中国的经济增长减速、人民币疲软和国际油价的下跌，预计近期仍将继续存在。但是，与其在逆境中挣扎，集团将从这些特定情形当中积极寻找机会。中国是全球第二大石油进口国，国际油价的大幅下跌降低了中国的进口费用，正如本集团 2015 财年的业绩所示，这也为改善中国和本集团的经济和业务条件提供了机会。



集团将继续在管理我们的业务风险和控制运营成本上保持谨慎的态度，在布局我们的战略举措时会充分考虑上述条件。如此，我们将充分利用可用机会，迎接未来的挑战，进一步提升 2016 年的获利能力。

2016 财年展望

尽管运营环境不稳定，本集团预期能够从不断增长的 LPG 市场中获益，实现本年度销量稳步增长。

石油和相关产品的需求虽然增长缓慢，但中国对 LPG 的需求在 2015 年同比增进了 22%，而来年更是预计再增进 10%。¹2015 年中国的经济增长率为 6.9%，稍低于预计值 7.0%，增长率放慢意味着经济体正在日趋成熟，增长率将趋于稳定。对于我们在中国的业务展望，由于我们的核心产品的需求持续，我们的主要市场前景乐观。

致谢

我在此代表董事会感谢我们的客户、供应商和业务合作伙伴的鼎力支持。我们也不应该忘记我们的非常敬业的员工，非常感谢他们在过去一年做出的不懈努力。

最后还要感谢我们的股东对我们的信任和理解。感谢你们的不懈支持，我们今后还将继续努力使你们获得更多利益。

梁国湛

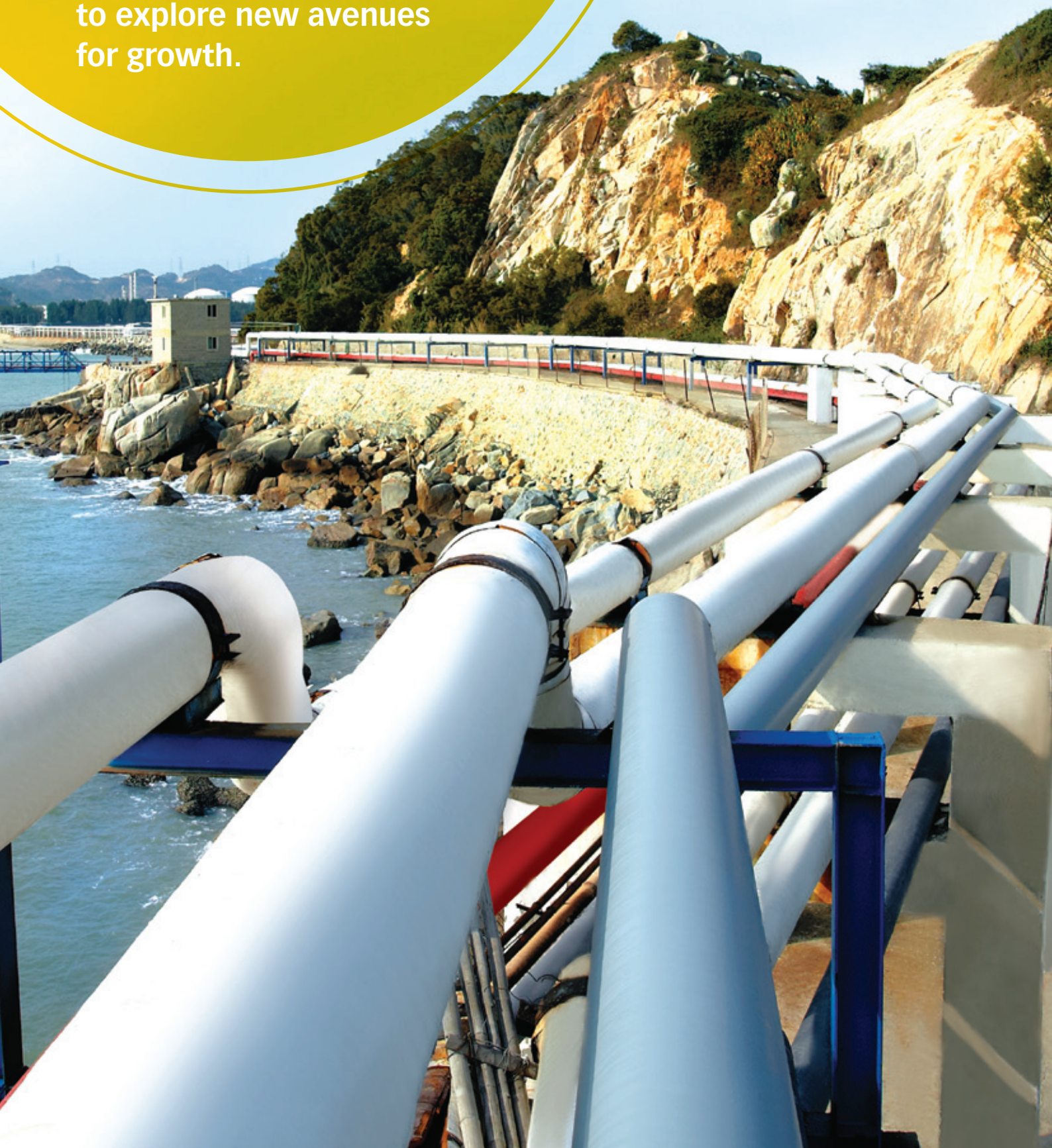
执行主席

欧华能源控股有限公司

¹ (<http://www.platts.com/pressreleases/2016/010516b>)

OVERCOMING ADVERSITY

We stand unwavering in the face of challenging market conditions, constantly ready to explore new avenues for growth.



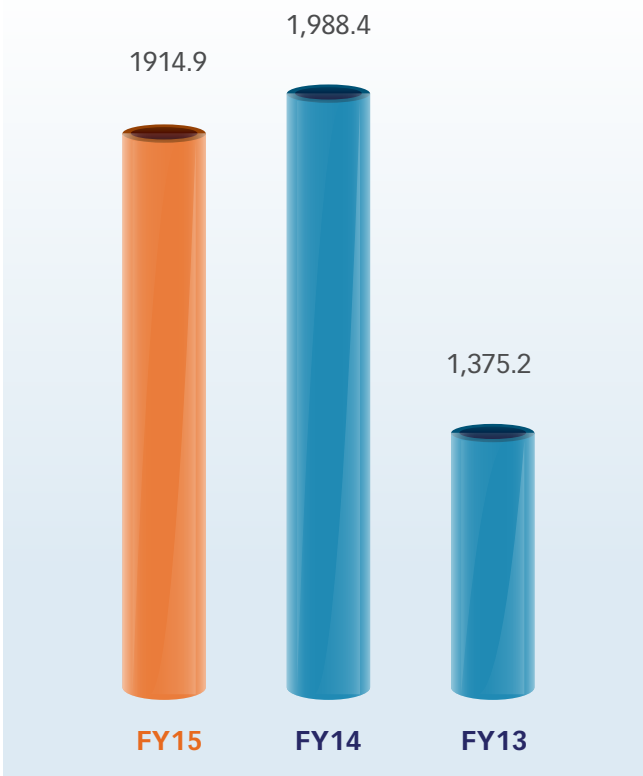
CORPORATE STRUCTURE



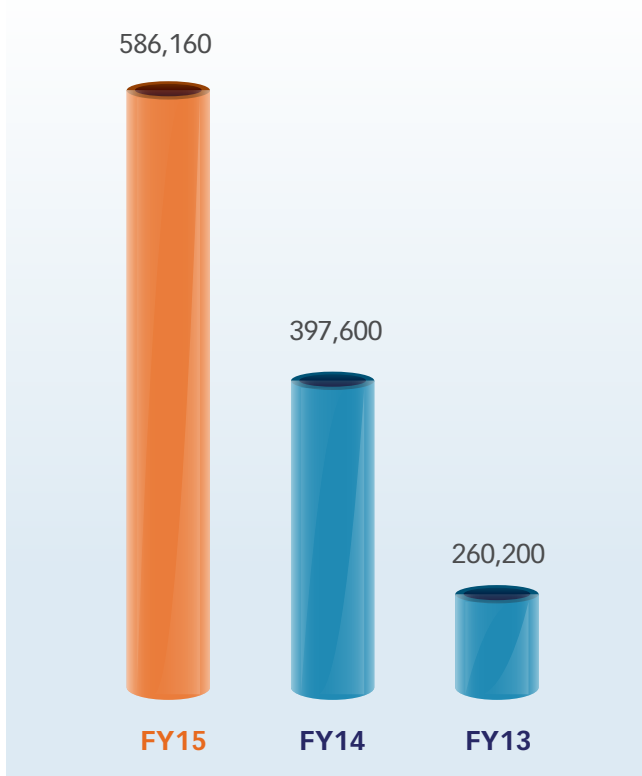
We are cautiously optimistic about both the short-term and the longterm future of our Group due to our Group's ongoing transformation and our focused efforts in capturing opportunities to improve and advance our level of technology.

FINANCIAL HIGHLIGHTS

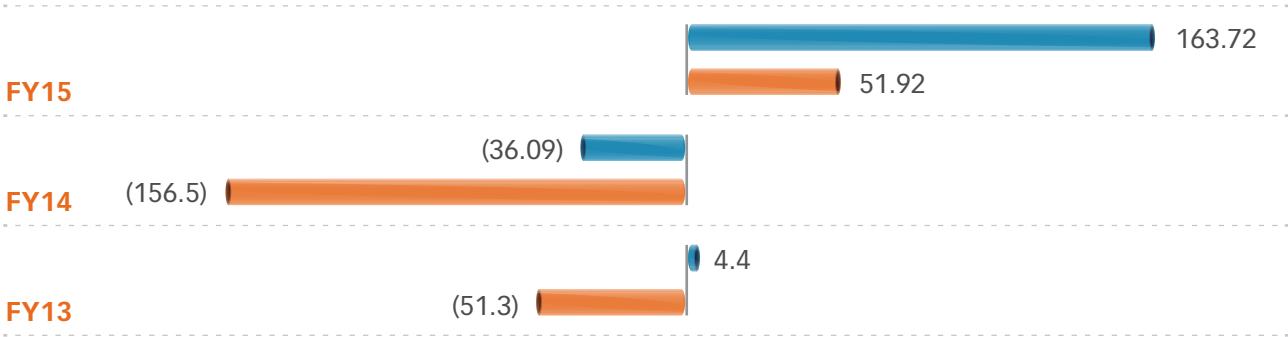
REVENUE (RMB 'million)



SALES VOLUME (tonnes)



GROSS AND NET PROFITS (RMB 'million)

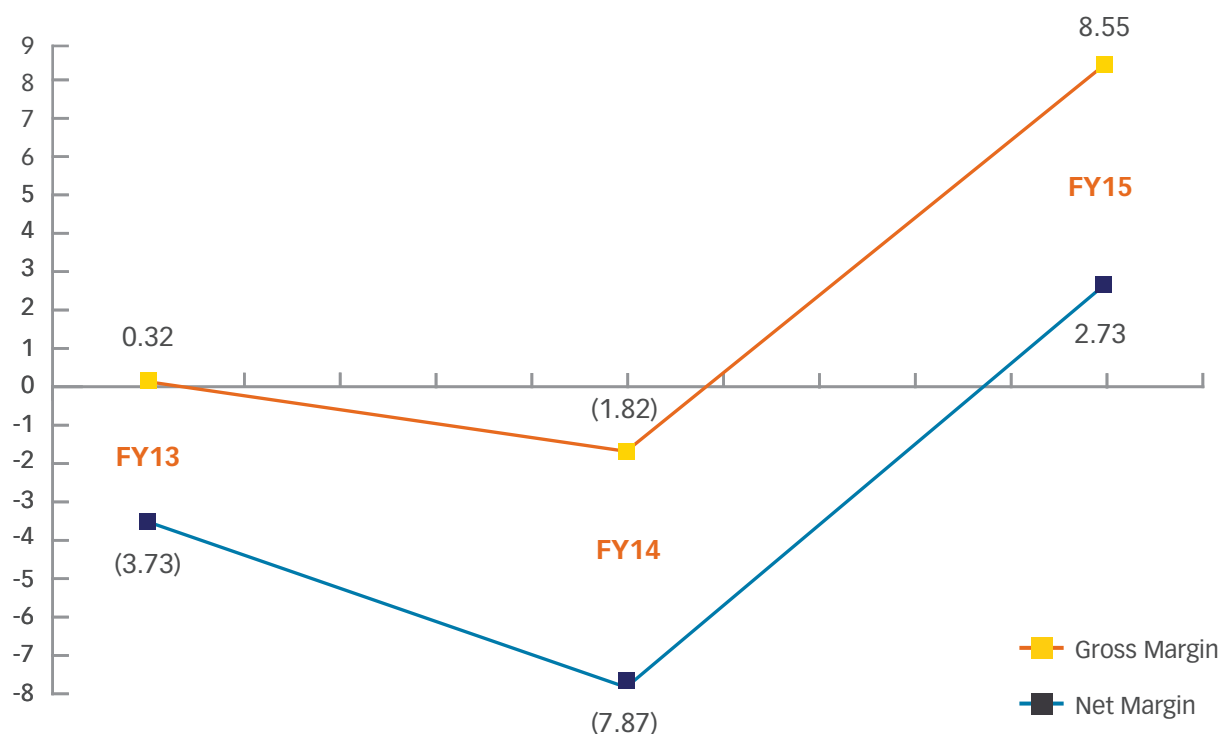


Net Profit/(Loss) Gross Profit

FINANCIAL HIGHLIGHTS

PROFIT MARGINS

(%)



KEY FINANCIAL RATIO

| | FY2013 | FY2014 | FY2015 |
|---------------------------------------|---------|---------|--------|
| Earnings/(Loss) per Share (RMB cents) | (13.39) | (40.82) | 13.55 |
| Gross Margins (%) | 0.32 | (1.82) | 8.55 |
| Net Margins (%) | (3.73) | (7.87) | 2.71 |
| Gearing Ratio (times) | 0.76 | 0.93 | 0.84 |
| NAV (RMB cents) | 49.73 | 8.9 | 22.38 |

Notes:

(1) Calculated based on post-invitation share capital of 383,288,000 shares

FINANCIAL CALENDAR

| | FY2013 | FY2014 | FY2015 |
|---|---------|---------|---------|
| Designed Capacity (tonnes) | 900,000 | 900,000 | 900,000 |
| Weighted Average Design Capacity (tonnes) | 900,000 | 900,000 | 900,000 |
| Actual Output (tonnes) | 260,200 | 398,600 | 586,160 |
| Actual Output (percentage) | 28.9% | 44.3% | 65.1% |

OPERATIONS REVIEW

OPERATING REVENUE

The year ending 31 December 2015 was marked by volatile market conditions that persisted from last year. Nonetheless, the Group was able to navigate these challenges and emerge well-positioned in our quest to deliver value.

Total revenue for FY2015 declined slightly by approximately 3.7% to RMB19.1 billion due to the decrease in average sale prices of LPG from RMB5,251 per tonne in 2014 to RMB3,267 per tonne in 2015. However, this was offset by a growth in sales from 398,600 tonnes in 2014 to 586,160 tonnes in 2015. This increase in sales volume can largely be attributed to the increased domestic demand of LPG in China, as well as us successfully capitalizing on our new sales segments in western China and Southeast Asia.

COSTS AND EARNINGS ANALYSIS

Despite volatility in the LPG market, we were able to leverage on the global decline in oil prices to achieve a gross profit of RMB163.71 million, an increase

of RMB199.80 million from the gross loss of RMB36.08 million in FY 2014. As a result, our gross profit margin rose from negative 1.81% to positive 8.55% compared to the prior year.

Other operating income also increased by RMB4.68 million or 63.72% in 2015 as compared to 2014 mainly due to an increase in shipping income of RMB10.58 million. This was partially offset by decreases in government subsidy income of RMB4.2 million and investment income of RMB0.6 million.

FY2015 saw a decrease in our operating expenses as part of our overall strategy to reduce operating costs. Selling and distribution expenses decreased by approximately RMB2.77 million or 6%, mainly due to the decrease in marine freight of RMB5.1 million and the decrease in storage rental of RMB0.53 million. These were partially offset by the increase in tugboat charges of RMB1.59 million.

Our administrative expenses increased by RMB3.41 million or 14.96% within the same period. This was due to the



increase in consulting fees of RMB3.21 million, increase in port construction and maintenance fee of RMB1.72 million, increase in doubtful debts accounts of RMB0.38 million and the increase in salary of RMB0.4 million. However, these were partially offset by decreases in social insurance of RMB0.9 million, decrease in tax of RMB0.35 million and decrease in other expenses of RMB0.4 million from sources like travelling, utilities and telephones.

Other operating expenses decreased by RMB13.38 million or 34% due mainly to the decrease in inventory value written-down of RMB9.93 million, decrease in impairment loss of RMB4.98 million fixed assets and decrease in other expenses of RMB3.72 million from areas sources bank service fees. These were partially offset by an increase in the exchange loss of RMB14.57 million.

Finance costs also similarly increased by approximate RMB8.8 million or 45.75% mainly due to the increase in interest expense of RMB8.84 million for bank loans.

As a result of the above factors, the Group recorded a net profit attributable to equity holders of RMB51.92 million in FY2015 compared to a net loss of RMB156.46 million in FY2014.

FINANCIAL POSITION AND LIQUIDITY

Non-current assets decreased by approximately RMB11.03 million or 5.88% mainly due to fixed assets depreciation, and were partially offset by purchase of new assets of RMB1.12 million.

Current assets increased by approximately RMB48.31 million or 14.96% in FY2015 from RMB323.00 million for a final figure of RMB371.31 million mainly due to the increase in trade and other receivables and due from related parties of RMB70.58 million, increase in cash and cash equivalents of RMB14.82 million and the increase of held to maturity investment of RMB10.5 million. This was partially offset by a decrease in pledged fixed deposits of RMB38.21 million and the decrease in inventories of RMB9.47 million.



Current liabilities decreased by approximately RMB14.38 million or 3.02% in FY 2015 from RMB476.25 million to RMB461.87 million mainly due to the decrease in trade and other payables of RMB93.09 million, partially offset by the increase in short-term borrowing of RMB78.51 million.

Net cash used in operating activities amounted to approximately RMB81.24 million due mainly to the net cash outflow of working capital RMB94.51 million in spite of the profit before income tax of 51.92 million, after adding back non-cash items of RMB14.44 million and interest paid of RMB28.15 million.

Net cash outflows from working capital arose from a decrease in trade and other payables of RMB93.94 million, the increase in trade and other receivables of RMB22.72 million and due from related parties of RMB40.86 million. These were partially offset by a decrease in inventories of RMB9.11 million.

Net cash flows used in investing activities amounted to RMB13.75 million mainly due to purchase of available for sale investments of RMB10.49 million and purchase of property, plant and equipment of RMB3.26 million.

Net cash from financing activities amounted to RMB109,794 million mainly due to net proceeds of bank borrowings of RMB78.51 million and decrease in pledged fixed deposits of RMB38.21 million. This was partially offset by payment to related parties of RMB6.9 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.

The Board strongly believes in creating a sustainable business strategy compatible with its growth.



CONSTANT ADVANCEMENT

Not content with resting on our achievements, we remain energised in our pursuit of improvement and value going forward.



BOARD OF DIRECTORS



LIANG GUO ZHAN

Executive Chairman

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

He obtained a diploma in Business Management from the Beijing Society Academic Institute. He has also completed a corporate strategy and pricing management program conducted by the Cheung Kong Graduate School of Business in January 2005. He is currently 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 YEO

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 in 2002 till 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 Officer

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 the Group's business. Prior to joining our Group, he worked as CFO of Yanglin Soybean Inc. from Oct 2011 to Dec 2013. From Sep 2009 to Oct 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 Jan 2008 to Sep 2008. Nan Yang is a member of the Association of Chartered Certified Accountants (ACCA). He holds a Master Of Science in International Accounting from Anglia Ruskin University.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

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

The Company is committed to complying with the Code of Corporate Governance 2012 (the “**Code**”) issued by the Corporate Governance Committee. The Company is pleased to confirm that for the financial year ended 31 December 2015 (“**FY2015**”), it has generally adhered to the principles and guidelines as set out in the Code, except for certain deviations which are explained below.

1. BOARD MATTERS

Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.

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

The principal functions of the Board include the following:

- (a) approve the Group’s key business strategies and financial objectives of the Company, including the review of annual budgets, major investments/divestments, and funding proposals;
- (b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards, and ensure that obligations to shareholders and others are understood and met; and
- (f) consider sustainability issues (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.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

The attendance of each Director at every Board and Board Committee meeting held during FY2015 is set out below:-

| | Board | | AC | | NC | | RC | |
|----------------------------|--------|----------|--------|----------|--------|----------|--------|----------|
| | Number | Attended | Number | Attended | Number | Attended | Number | Attended |
| Mr Liang Guo Zhan | 4 | 3 | - | - | - | - | - | - |
| Mr Ye Tian Shun | 4 | 4 | - | - | - | - | - | - |
| Mr Tham Hock Chee | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Mr Xiong Wei | 4 | 3 | 4 | 4 | 1 | 1 | 1 | 1 |
| Mr Gerald Yeo @ Yeo Ah Khe | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |

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

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 Management:

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

- (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 one-third of the Board be comprised of Independent Directors is satisfied. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. All the board committee meetings are chaired by the Independent Directors.
- (iii) Each of the Independent Directors has confirmed that he/she 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 Nominating Committee has reviewed and determined that the said Directors are independent. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.
- (iv) Mr Xiong Wei, our Independent Director who has served on the Board beyond nine (9) years from the date of his first appointment as at the end of FY2015. The Board, with the concurrence of the NC, has rigorously reviewed his independence and considered the need for progressive refreshing of the Board, his working experience and contributions. The Board is satisfied that he is independent in character and judgement, and found no reason to understand that the length of his service has in any way dimmed his independence. Given his wealth of business, working experience and professionalism in carrying out his duties, the NC had found Mr Xiong suitable to continue to act as an Independent Director. The Board has accepted the NC's recommendation that Mr Xiong was considered independent.
- (v) The Board has examined its size and is of the view that the current Board size of five 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.

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- (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 FY2015 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 chief executive officer ("CEO") of the Company are assumed by Mr Liang Guo Zhan. As such, Mr Liang bears executive responsibility for the Group's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.
- (ii) Although the roles and responsibilities for Chairman and CEO are vested in Mr Liang, major decisions are made in consultation with the Board which comprises a majority of independent and non-executive Directors. Mr Liang's performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the RC. Both the NC and the RC comprise only the independent Directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.
- (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;

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- (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 circumstance require, whether or not a Director is independent, for the purposes of the Code. The NC is of the view that Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Xiong Wei are independent.
 - (v) In assessing the performance of each individual Director, the Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 |
|-------------------------|-----------------------------|--------------------------|---|---|
| Liang Guo Zhan | 11 January 2006 | 29 April 2014 | - | - |
| Ye Tian Shun | 15 August 2008 | 30 April 2015 | - | - |
| Tham Hock Chee | 1 July 2010 | 29 April 2014 | China Sports International Limited Abundance International | Sunpower Group Ltd; Sun East Group Limited |
| Xiong Wei | 13 September 2006 | 30 April 2015 | - | - |
| Gerald Yeo @ Yeo Ah Khe | 26 April 2012 | 30 April 2013 | - | - |

Mr Tham Hock Chee and Mr Liang Guo Zhan 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". None of the Directors hold shares in the subsidiary of the Company.

Board Performance

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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 Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the Nominating Committee 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;

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- (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 3 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.

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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 Remuneration Committee recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximize shareholders' value. The recommendations of the Remuneration Committee on the remuneration of Directors and key management will be submitted for endorsement by the Board. The members of the Remuneration Committee 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 FY2015 is as follows:

| Remuneration Band | Base/fixed salary | Variable or performance related income/bonuses | Director's fees | Other benefits |
|---------------------------------|-------------------|--|-----------------|----------------|
| <i>Below \$250,000</i> | | | | |
| <u>Directors</u> | | | | |
| 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% | - |
| <u>Key Management Personnel</u> | | | | |
| Mr Yang Heping | 65% | 35% | - | - |
| Mr Yang Nan | 65% | 35% | - | - |
| Mr ChengWeipeng | 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 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 were 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 FY2015 is RMB 615,622
- (v) The Group does not have any employees who are immediate family members of a Director and whose remuneration exceeded S\$50,000 during FY2015.
- (vi) The Company has not adopted any employee share scheme.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

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

Risk Management and Internal Controls

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

- (i) The AC acknowledges 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 reviews the effectiveness of the Group's internal controls, including operational controls regularly and is responsible for the overall internal control framework. The Board acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.
- (iii) Based on the discussions with the auditors and the management's responses to the auditors' recommendations for improvements to the Group's internal controls, the Board opines, with the concurrence of the AC, that there are adequate controls in place within the Group addressing material financial, operational and compliance risks to meet the needs of the Group in their current business environment.
- (iv) The system of internal control and risk management established by our Company provides reasonable, but not absolute, assurance that our Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.
- (v) To further enhance the internal controls of the Company, the Board has also resolved to engage audit professionals to assist in (1) setting out a scope of review to review the Company's risk assessment processes, (2) establishing the internal control framework (Enterprise Risk Management), and (3) 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;

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- (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 FY2015 was S\$147,800 and there were no non-audit fees paid to the external auditors in FY2015. 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.
- (iii) 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

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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.

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 Chief Executive Officer 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 SGXNet 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 hand and by poll, if required.
- (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) While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.
- (vii) The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNet.

5. DEALINGS IN SECURITIES

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

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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 FY2015 is as follows:

| Name of interested person | Aggregate value of all interested person transactions for the financial period ended 31 December 2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than \$100,000) |
|---|--|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Chaozhou Huafeng (Group) Incorporation Ltd | | | |
| ◦ Lease of LPG transportation vehicles | - | - | 385 |
| ◦ Lease of LPG transportation vessel | - | 5,744 | 5,744 |
| Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd. | | | |
| ◦ Sale of LPG | - | 288,727 | 288,727 |
| Chaozhou Huafeng Petroleum and Warehouse Co., Ltd. | | | |
| ◦ Lease of storage tankers | - | 206 | 206 |
| Chaozhou Huafeng Refining Co., Ltd | | | |
| ◦ Lease of port terminals, land use rights, office premises and staff dormitory | - | 5,364 | 5,364 |
| Chaozhou Kaihao Huafeng Gas Station Co., Ltd | | | |
| ◦ Purchase of petrol for car usage | 82 | - | - |

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 FY2015 or if not then subsisting, entered into since the end of the previous financial year.

8. CORPORATE SOCIAL RESPONSIBILITY

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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.

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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. | <p>(a) The Company did not disclose the exact details of the remuneration of each individual Director pursuant to Guideline 9.2 as it was not in the best interests of the Company and employees to do so, due to the sensitive nature of such information. Please refer to Principle 9 (ii) and 9 (iii) of the Corporate Governance Report.</p> <p>(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.</p> <p>(c) Save for the abovementioned deviation, the Company has complied with the rest of the principles and guidelines of the Code.</p> |
| | (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code? | (a) Not applicable. |
| Board Responsibility | | |
| Guideline 1.5 | What are the types of material transactions which require approval from the Board? | (d) Please refer to Principle 1 of the Corporate Governance Report. |
| Members of the Board | | |

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

| Guideline | Questions | How the Company complied? |
|---------------|---|--|
| Guideline 2.6 | <p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p> | <p>(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge.</p> <p>(b) The current composition of the Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Group. The Directors also provide core competencies such as accounting or finance, business or management or legal experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective.</p> <p>(c) The Nominating Committee 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 Nominating Committee takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.</p> |
| 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 FY2015. |
| Guideline 1.6 | <p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p> | <p>(a) No new Directors were appointed in FY2015.</p> <p>(b) Please refer to paragraphs 1(iii) of Principle 1 of the Corporate Governance Report.</p> |
| Guideline 4.4 | (a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? | (a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than five (5) companies. However, any Directors may hold more than five (5) |

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

| Guideline | Questions | How the Company complied? |
|----------------------------------|--|--|
| | <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p> | <p>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.</p> <p>(b) Not applicable.</p> <p>(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.</p> |
| Board Evaluation | | |
| Guideline 5.1 | <p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p> | <p>(a) Please refer to Principle 5 of the Corporate Governance Report.</p> <p>(b) Yes. The Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.</p> |
| Independence of Directors | | |
| Guideline 2.1 | Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. | Yes. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied. |
| Guideline 2.3 | <p>(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.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p> | <p>(a) No.</p> <p>(b) Not applicable.</p> |

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

| Guideline | Questions | How the Company complied? |
|-----------------------------------|---|--|
| 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 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 | <p>(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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p> | <p>(a) Yes.</p> <p>(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 Chief Executive Officer) for FY2015 is RMB 615,622.</p> |
| 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. | (a) Please refer to Principle 9 of the Corporate Governance Report. |

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

| Guideline | Questions | How the Company complied? |
|--|--|---|
| | <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p> | <p>(b) Please refer to Principle 9 of the Corporate Governance Report.</p> <p>(c) Yes.</p> |
| 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 | <p>(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.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p> | <p>(a) Please refer to Principle 11 of the Corporate Governance Report.</p> <p>(b) Yes.</p> |
| Guideline 12.6 | <p>(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.</p> <p>(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</p> | <p>(a) The aggregate amount of audit fees amounted to approximately S\$147,800.</p> <p>(b) Not applicable. The external auditors have not provided any non-audit services to the Company.</p> |

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2015

| Guideline | Questions | How the Company complied? |
|--|--|--|
| | independence of the external auditors. | |
| Communication with Shareholders | | |
| Guideline 15.4 | <p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p> | <p>(a) Please refer to Principles 15 and 16 of the Corporate Governance Report.</p> <p>(b) The Group's Chief Executive Officer and the Independent Directors are entrusted with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.</p> <p>(c) Please refer to Principles 15 and 16 of the Corporate Governance Report.</p> |
| 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 FY2015. 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 2015

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 2015 and the statement of financial position of the Company as at 31 December 2015.

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:

| Name of directors and company in which interests are held | Shareholdings registered in the name of directors | | Shareholdings in which directors are deemed to have an interest | |
|--|--|-------------------|---|-------------------|
| | At beginning of year | At end of year | At beginning of year | At end of year |
| Holding Company: (Number of ordinary shares) <i>High Tree Worldwide Ltd</i> | | | | |
| 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 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

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.

REPORT OF THE DIRECTORS

Year ended 31 December 2015

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.

REPORT OF THE DIRECTORS

Year ended 31 December 2015

7. Auditors

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

On behalf of the directors

LIANG GUO ZHAN
Director

1 April 2016

YE TIAN SHUN
Director

STATEMENT BY THE DIRECTORS

Year ended 31 December 2015

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 2015 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, with the continuing support from its Executive Chairman and its related parties, 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

1 April 2016

YE TIAN SHUN

Director

INDEPENDENT AUDITORS' REPORT

To the Member of Ouhua Energy Holdings Limited

Report on the Financial Statements

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 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Member of Ouhua Energy Holdings Limited

Opinion

In our opinion, the financial statements of the Group and the statement of financial position of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements which indicates that the Group's and the Company's current liabilities exceeded its current assets by approximately RMB90,561,000 and RMB30,659,000 respectively and the Group also has a negative operating cash flows of RMB81,241,000. These conditions indicate the existence of an uncertainty that may cast doubt about the Group's and the Company's ability to continue as a going concern. The ability of the Group and the Company to continue as a going concern depends on the continuing support from its Executive Chairman and its related parties. Our audit opinion is not qualified in respect of this matter.

MAZARS LLP

Public Accountants and
Chartered Accountants
Singapore
1 April 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

| | <u>Note</u> | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
|---|-------------|------------------------|------------------------|
| Revenue | 4 | 1,914,863 | 1,988,409 |
| Cost of sales | | <u>(1,751,147)</u> | <u>(2,024,495)</u> |
| Gross profit/(loss) | | 163,716 | (36,086) |
| Other operating income | 5 | 12,027 | 7,346 |
| Selling and distribution expenses | | (43,706) | (46,479) |
| Administrative expenses | | (26,226) | (22,813) |
| Other operating expenses | | <u>(25,738)</u> | <u>(39,122)</u> |
| Profit/(Loss) from operations | | 80,073 | (137,154) |
| Finance costs | 6 | <u>(28,152)</u> | <u>(19,315)</u> |
| Profit/(Loss) before income tax expense | 7 | 51,921 | (156,469) |
| Income tax expense | 9 | <u>-</u> | <u>-</u> |
| Profit/(Loss) for the financial year | | 51,921 | (156,469) |
| 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 | | <u>(251)</u> | <u>(22)</u> |
| Total comprehensive profit/(loss) for the financial year | | <u>51,670</u> | <u>(156,491)</u> |
| Earning/(Loss) per share attributable to owners of the Company (RMB fen per share) | | | |
| Basic and diluted | 10 | <u>13.55</u> | <u>(40.82)</u> |

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 2015

| | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 176,358 | 187,383 | - | - |
| Investments in subsidiaries | 12 | - | - | 156,277 | 156,277 |
| Total non-current assets | | <u>176,358</u> | <u>187,383</u> | <u>156,277</u> | <u>156,277</u> |
| Current assets | | | | | |
| Inventories | 13 | 53,560 | 63,029 | - | - |
| Trade and other receivables | 14 | 96,053 | 73,258 | 127 | 121 |
| Due from related parties | 15 | 104,514 | 56,727 | - | - |
| Available-for-sale investments | 16 | 75,500 | 65,010 | - | - |
| Margin deposits | 17 | 1,485 | 1,389 | 1,485 | 1,389 |
| Pledged fixed deposits | 18 | 3,874 | 42,084 | - | - |
| Cash and cash equivalents | 19 | 36,322 | 21,500 | 143 | 643 |
| Total current assets | | <u>371,308</u> | <u>322,997</u> | <u>1,755</u> | <u>2,153</u> |
| Total assets | | <u>547,666</u> | <u>510,380</u> | <u>158,032</u> | <u>158,430</u> |
| Current liabilities | | | | | |
| Trade and other payables | 20 | 69,121 | 162,207 | 3,634 | 3,551 |
| Due to a related party | 15 | 4,208 | 4,018 | 4,208 | 4,018 |
| Due to a subsidiary | 21 | - | - | 24,572 | 22,053 |
| Bank borrowings | 22 | 386,223 | 307,711 | - | - |
| Income tax payable | | 2,317 | 2,317 | - | - |
| Total current liabilities | | <u>461,869</u> | <u>476,253</u> | <u>32,414</u> | <u>29,622</u> |
| Net assets | | <u>85,797</u> | <u>34,127</u> | <u>125,618</u> | <u>128,808</u> |
| 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 | 5,854 | 6,105 | 5,813 | 7,154 |
| Accumulated losses | | (215,505) | (267,426) | (159,981) | (158,132) |
| Total equity | | <u>85,797</u> | <u>34,127</u> | <u>125,618</u> | <u>128,808</u> |

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 2015

| | <u>Share capital</u> | <u>Shares premium</u> | <u>Statutory reserve</u> | <u>Foreign currency translation reserve</u> | <u>Accumulated losses</u> | <u>Total equity</u> |
|--|----------------------|-----------------------|--------------------------|---|---------------------------|---------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2014 | 149,488 | 130,298 | 15,662 | 6,127 | (110,957) | 190,618 |
| Loss for the financial year | - | - | - | - | (156,469) | (156,469) |
| <i>Other comprehensive income:</i> Exchange differences on translating foreign operations | - | - | - | (22) | - | (22) |
| Total comprehensive loss for the financial year | - | - | - | (22) | (156,469) | (156,491) |
| Balance at 31 December 2014 | <u>149,488</u> | <u>130,298</u> | <u>15,662</u> | <u>6,105</u> | <u>(267,426)</u> | <u>34,127</u> |
| 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 |
| <i>Other comprehensive income:</i> 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 | <u>149,488</u> | <u>130,298</u> | <u>15,662</u> | <u>5,854</u> | <u>(215,505)</u> | <u>85,797</u> |

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 2015

| | <u>Note</u> | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
|--|-------------|------------------------|------------------------|
| Operating activities | | | |
| Profit/(Loss) before income tax expense | | 51,921 | (156,469) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 14,284 | 13,901 |
| Loss on disposal of property, plant and equipment | | - | 23 |
| Interest income | | (203) | (809) |
| Interest expense | | 28,152 | 19,315 |
| Impairment loss on property, plant and equipment | | - | 4,976 |
| Inventory value written-down | | 355 | 10,277 |
| Reversal of provision of doubtful debts | | - | (189) |
| Operating profit/(loss) before movements in working capital | | 94,509 | (108,975) |
| Inventories | | 9,114 | 44,094 |
| Trade and other receivables | | (22,723) | (9,869) |
| Due from related parties | | (40,859) | (9,880) |
| Margin deposits | | (96) | 10,188 |
| Trade and other payables | | (93,944) | 92,789 |
| Cash generated (used in)/from operations | | (53,999) | 18,347 |
| Interest paid | | (27,445) | (19,315) |
| Interest received | | 203 | 1,304 |
| Net cash flows (used in)/from operating activities | | <u>(81,241)</u> | <u>336</u> |
| Investing activities | | | |
| Proceeds from disposal of available-for-sale investments | | 65,010 | - |
| Purchase of available-for-sale investments | | (75,500) | (64,000) |
| Proceeds from disposal of held to maturity investments | | - | 80,312 |
| Purchase of property, plant and equipment | 11 | (3,259) | (2,866) |
| Net cash flows (used in)/from investing activities | | <u>(13,749)</u> | <u>13,446</u> |
| Financing activities | | | |
| Decrease in pledged fixed deposits | | 38,210 | 34,077 |
| Receipts from a director | | - | 2,173 |
| Receipts from a related party | | - | 96 |
| Advances to related parties | | (6,928) | (5,041) |
| Proceeds from bank borrowings | | 864,707 | 1,289,369 |
| Repayments of bank borrowings | | (786,195) | (1,517,562) |
| Net cash generated from/(used in) financing activities | | <u>109,794</u> | <u>(196,888)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 14,804 | (183,106) |
| Cash and cash equivalents at beginning of financial year | | 21,500 | 204,628 |
| Effect of foreign exchange rate changes in cash and cash equivalents | | 18 | (22) |
| Cash and cash equivalents at end of financial year | 19 | <u>36,322</u> | <u>21,500</u> |

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 2015

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 immediate and ultimate 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 2015 were authorised for issue in accordance with a resolution of the directors of the Company on 1 April 2016.

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.

During the financial year, the Group’s and Company’s current liabilities exceeded its current assets by approximately RMB90,561,000 and RMB30,659,000 respectively and the Group also has a negative operating cash flows of RMB81,241,000. These conditions indicate the existence of an uncertainty that may cast doubt about the Group’s and Company’s ability to continue as going concern.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The ability of the Group and the Company to continue as a going concern depends on the continuous support from its Executive Chairman and its related parties who have undertaken to provide continuing financial support. With the continuing support from the Executive Chairman and its related parties, the Group has been able to continue its normal operations up to the date of approval of these financial statements and Management do not foresee any difficulties in the Company and the Group in managing its debts as and when it falls due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may have to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

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 are relevant to the Group were issue but not yet effective:

| | | Effective date (annual periods beginning on or after) |
|------------------------|---|--|
| IFRS 9 | Financial Instruments | 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 10, 12 and IAS 28 | Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception | 1 January 2016 |
| IFRS 10, IAS 28 | Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016 |
| IFRS 11 | Amendments to IFRS 11 Joint Arrangements | 1 January 2016 |
| IFRS 16 | Leases | 1 January 2019 |
| IAS 1 | Amendments to IAS 1: Disclosure Initiative | 1 January 2016 |
| IAS 12 | Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| IAS 16, 38 | Amendments to IAS 16 and IAS 38: Clarification of Acceptance Methods of Depreciation and Amortisation | 1 January 2016 |
| IAS 16, 41 | Amendments IAS 16 and IAS 41: Agriculture: Bearer Plants | 1 January 2016 |
| IAS 27 | Amendments to IAS 27: Equity Method in Separate Financial Statements | 1 January 2016 |
| Various | Annual Improvements to IFRSs 2012 - 2014 | 1 January 2016 |

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 2015. 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.

The Group does not intend to early adopt IFRS 9. The Group is still assessing the potential impact of IFRS 9 on its financial statements in the initial year of adoption.

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 118 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) their identification of the contract; (ii) their identification of the performance obligations in the contract; (iii) the determination of; (iv) allocation of the transaction price; and (v) recognition of revenue when (i.e. at a point in time) or as (i.e. over time) each performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

The Group does not intend to early adopt IFRS 15. The Group is still assessing the potential impact of IFRS 15 on its financial statements in the initial year of adoption.

IFRS 16 Leases

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions.

The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis, and subsequently, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, IFRS 16 requires enhanced disclosures to be provided by the lessor.

Early adoption is permitted in certain circumstances. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of the standard upon adoption.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

Sale of goods

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 | 33 $\frac{1}{3}$ % |

No depreciation is charged on construction-in-progress as it is not yet in use as at the end of the financial year.

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 plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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.

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 receivables and advances to supplier), due from related parties, margin deposits, pledged fixed deposits and cash and cash equivalents.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried, at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the consolidated profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Summary of significant accounting policies (Continued)

2.16 Contingencies (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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

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

(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 2015 was \$156,277,000 (2014:\$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 2015 were RMB176,358,000 (2014: RMB187,383,000).

(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 RMB188,172,000 and RMB1,628,000 (2014: RMB155,231,000 and RMB2,032,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Critical accounting judgements and key sources of estimation uncertainty

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 2015 were RMB176,358,000 (2014: RMB187,383,000).

(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 2015 was RMB53,560,000 (2014: RMB63,029,000).

(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 2015 was approximately RMB2,317,000 (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. Other operating income

| | <u>Group</u> | |
|--|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Tug boat service | 636 | 391 |
| Interest income from fixed deposits | 154 | 809 |
| Subsidies from government* | 612 | 4,851 |
| Gain on disposal of held to maturity investments | - | 1,295 |
| Interest income from available-for-sales investments | 49 | - |
| Vessel rental income | 10,576 | - |
| | <u>12,027</u> | <u>7,346</u> |

* 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

| | <u>Group</u> | |
|-----------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Interest on trust receipts | 12,128 | 15,690 |
| Interest on bank borrowings | 16,024 | 3,625 |
| | <u>28,152</u> | <u>19,315</u> |

7. Profit/(Loss) before income tax expense

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

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Foreign exchange loss, net | 24,867 | 10,297 |
| Reversal of provision of doubtful debts | - | (189) |
| Audit fees paid to auditors | | |
| - Auditors of the Company | 447 | 447 |
| - Other auditors | 240 | 240 |
| Fair value loss on derivative financial instruments | - | 11,397 |
| Operating lease expenses | 13,033 | 14,115 |
| Depreciation on property, plant and equipment (Note 11) | 14,284 | 13,901 |
| Employee benefit costs (Note 8) | 14,831 | 14,628 |
| Marine freight | 33,561 | 28,454 |
| Loss on disposal of property, plant and equipment | - | 23 |
| Impairment loss on property, plant and equipment | - | 4,976 |
| Inventory value written-down | 355 | 10,277 |
| | <u>355</u> | <u>10,277</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8. Employee benefits costs

| | <u>Group</u> | |
|--|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Salaries, bonuses and allowances | 13,621 | 13,588 |
| Contributions to retirement benefits schemes | 432 | 640 |
| Other social security cost | 778 | 400 |
| | <u>14,831</u> | <u>14,628</u> |

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:

| | <u>Group</u> | |
|-------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Current tax | <u>-</u> | <u>-</u> |

(b) Reconciliation of effective tax rate:

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Profit/(Loss) before income tax expense | <u>51,921</u> | <u>(156,469)</u> |
| Tax calculated at applicable PRC tax rate of 25% (2014: 25%) | 12,980 | (39,117) |
| Tax effect of non-deductible items | 4,122 | 5,057 |
| Unrecognised deferred tax benefits arising from tax losses | - | 34,060 |
| Utilisation of deferred tax asset previously not recognised arising from tax losses | <u>(17,102)</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

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 RMB216,605,000 (2014: RMB285,013,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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/(Loss) per share

The calculations for profit/(loss) per share of the Group are based on:

| | <u>2015</u> | <u>2014</u> |
|--|----------------|------------------|
| Profit/(Loss) attributed to equity holders (RMB'000) | <u>51,921</u> | <u>(156,469)</u> |
| Weighted average number of ordinary shares ('000) | <u>383,288</u> | <u>383,288</u> |
| Basic and diluted earning/(loss) per share (RMB fen) | <u>13.55</u> | <u>(40.82)</u> |

Basic earning/(loss) per share is calculated by dividing the Group's profit/(loss) attributed to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earning/(loss) per share is calculated by dividing the Group's profit/(loss) 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 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. Property, plant and equipment

| Group Cost | 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 |
|---|--|---------------------------|--|---------------------------------------|---|---|---|--------------------------|
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. Property, plant and equipment (Continued)

| Group | Buildings and storage | Vessel | Plant and machinery | Motor vehicles | Office equipment | Leasehold improvements | Construction in progress | Total |
|--------------------------------------|----------------------------------|----------------|--------------------------------|---------------------------|-----------------------------|-----------------------------------|-------------------------------------|----------------|
| Cost | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2014 | 181,275 | 115,000 | 17,284 | 2,585 | 1,680 | 1,735 | - | 319,559 |
| Additions | 1,925 | - | 482 | 403 | 23 | - | 33 | 2,866 |
| Disposal | - | - | - | - | (262) | - | - | (262) |
| Balance at 31 December 2014 | 183,200 | 115,000 | 17,766 | 2,988 | 1,441 | 1,735 | 33 | 322,163 |
| Accumulated depreciation | | | | | | | | |
| Balance at 1 January 2014 | 80,651 | 13,938 | 17,244 | 894 | 1,680 | 1,735 | - | 116,142 |
| Charged for the financial year | 8,380 | 5,244 | 44 | 233 | - | - | - | 13,901 |
| Disposal | - | - | - | - | (239) | - | - | (239) |
| Balance at 31 December 2014 | 89,031 | 19,182 | 17,288 | 1,127 | 1,441 | 1,735 | - | 129,804 |
| Accumulated impairment losses | | | | | | | | |
| Balance as at 1 January 2014 | - | - | - | - | - | - | - | - |
| Charged for the financial year | - | 4,976 | - | - | - | - | - | 4,976 |
| Balance as at 31 December 2014 | - | 4,976 | - | - | - | - | - | 4,976 |
| Carrying amount | | | | | | | | |
| At 31 December 2014 | 94,169 | 90,842 | 478 | 1,861 | - | - | 33 | 187,383 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. Property, plant and equipment (Continued)

As at 31 December 2015, property, plant and equipment amounting to approximately RMB133,875,765 (2014: RMB145,600,000) 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 previous financial year, Chaozhou Ouhua carried out a review of the recoverable amount of its facilities and vessel as it incurred operating loss. An impairment loss of RMB4,976,000 represented the write-down of vessel to recoverable amount which was recognised in profit or loss. The recoverable amount of the vessel was determined based on valuation performed by independent qualified professional valuer during the financial year 2014. The method of valuation was depreciated replacement costs, calculated using current market data on building costs, adjusted by an appropriate multiple based on the type of asset being valued.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12. Investments in subsidiaries

| | <u>Company</u> | |
|-------------------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Unquoted equity investment, at cost | 221,417 | 221,417 |
| Loan to a subsidiary ^(a) | 62,860 | 62,860 |
| Less: Allowance for impairment | <u>(128,000)</u> | <u>(128,000)</u> |
| | <u>156,277</u> | <u>156,277</u> |

^(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.

During the previous financial year ended, 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 | | Principal activities |
|--|-----------------------|--|-------------|---|
| | | <u>2015</u> | <u>2014</u> | |
| 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 overseas member firm of Mazars LLP for consolidation purpose.

⁽²⁾ Audited by Mazars LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

13. Inventories

| | <u>Group</u> | |
|--------------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Raw materials | 50,468 | 71,337 |
| Finished goods | 3,447 | 1,969 |
| Less: Inventories written-down | <u>(355)</u> | <u>(10,277)</u> |
| | <u>53,560</u> | <u>63,029</u> |

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Movement of allowances for inventories written-down | | |
| At 1 January | 10,277 | - |
| Addition during the financial year | 355 | 10,277 |
| Utilisation during the financial year | <u>(10,277)</u> | <u>-</u> |
| At 31 December | <u>355</u> | <u>10,277</u> |

Cost of inventories recognised in cost of sales amounted to approximately RMB1,730,517,000 (2014: RMB2,019,483,000) during the financial year.

14. Trade and other receivables

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Trade receivables – third parties | 40,441 | 33,551 |
| Allowance for impairment of trade receivables | | |
| At 1 January | (899) | (1,088) |
| Reversal of provision of doubtful debts | - | 189 |
| At 31 December | <u>(899)</u> | <u>(899)</u> |
| | 39,542 | 32,652 |
| Prepayments | 559 | 523 |
| Advances to suppliers | 37,851 | 8,112 |
| Value added tax receivables, net | 15,666 | 31,092 |
| Staff advances | 417 | 228 |
| Others | 2,057 | 690 |
| Allowance for impairment of other receivables | | |
| At 1 January / 31 December | <u>(39)</u> | <u>(39)</u> |
| Total trade and other receivables | 96,053 | 73,258 |
| Add: Due from related parties (Note 15) | 104,514 | 56,727 |
| Add: Margin deposits (Note 17) | 1,485 | 1,389 |
| Add: Pledged fixed deposits (Note 18) | 3,874 | 42,084 |
| Add: Cash and cash equivalents (Note 19) | 36,322 | 21,500 |
| Less: Advance to suppliers | (37,851) | (8,112) |
| Less: Prepayments | (559) | (523) |
| Less: Value added tax receivables, net | <u>(15,666)</u> | <u>(31,092)</u> |
| Total loans and receivables | <u>188,172</u> | <u>155,231</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

14. Trade and other receivables (Continued)

| | <u>Company</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Prepayments, representing total trade and other receivables | 127 | 121 |
| Add: Margin deposits (Note 17) | 1,485 | 1,389 |
| Add: Cash and cash equivalents (Note 19) | 143 | 643 |
| Less: Prepayments | <u>(127)</u> | <u>(121)</u> |
| Total loans and receivables | <u>1,628</u> | <u>2,032</u> |

Trade receivables from third parties are non-interest bearing and are generally on credit term of 10 days (2014: 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 RMB39,542,000 (2014: RMB32,652,000) 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

| | <u>Group</u> | | <u>Company</u> | |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Due from related parties | | | | |
| Trade | 92,545 | 51,686 | - | - |
| Non-trade | <u>11,969</u> | <u>5,041</u> | <u>-</u> | <u>-</u> |
| | <u>104,514</u> | <u>56,727</u> | <u>-</u> | <u>-</u> |
| Due to a related party | | | | |
| Non-trade | <u>4,208</u> | <u>4,018</u> | <u>4,208</u> | <u>4,018</u> |

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/(to) related parties is denominated in RMB, unsecured, interest-free and is repayable on demand. The carrying amounts of due from/to related parties approximate their fair values.

16. Available-for-sale investments

| | <u>Group</u> | |
|---|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Unquoted investments, at cost | | |
| Carrying amount of available-for-sale investments | <u>75,500</u> | <u>65,010</u> |

The investment in unquoted securities and investments funds is stated at cost less impairment loss, if any, as its fair value cannot be determined reliably. These investments do not have any maturity date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 (2014: 12 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% (2014: 0.35%) per annum. The carrying amounts of pledged fixed deposits approximate their fair values.

19. Cash and cash equivalents

| | <u>Group</u> | | <u>Company</u> | |
|---------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Cash balances | 514 | 52 | - | - |
| Bank balances | 35,808 | 21,448 | 143 | 643 |
| | <u>36,322</u> | <u>21,500</u> | <u>143</u> | <u>643</u> |

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

As at 31 December 2015, the Group has cash and cash equivalents placed with banks in the PRC amounting to RMB35,808,000 (2014: RMB21,448,000). 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

| | <u>Group</u> | | <u>Company</u> | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Trade payables | 32,421 | 121,666 | - | - |
| Accrued expenses | 12,470 | 14,965 | 1,200 | 1,234 |
| Advance from customers | 20,011 | 20,638 | - | - |
| Due to a director | 2,411 | 2,317 | 2,411 | 2,317 |
| Others | 1,808 | 2,621 | 23 | - |
| | <u>69,121</u> | <u>162,207</u> | <u>3,634</u> | <u>3,551</u> |
| Add: Due to a related party | 4,208 | 4,018 | 4,208 | 4,018 |
| Add: Due to a subsidiary | - | - | 24,572 | 22,053 |
| Less: Advances from customers | (20,011) | (20,638) | - | - |
| | <u>53,318</u> | <u>145,587</u> | <u>32,414</u> | <u>29,622</u> |
| Total other financial liabilities | <u>53,318</u> | <u>145,587</u> | <u>32,414</u> | <u>29,622</u> |

Trade payables are non-interest bearing and are normally settled on 30 days (2014: 30 days) terms while other payables have an average term of 10 days (2014: 10 days).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

20. Trade and other payables (Continued)

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

Amount due to a subsidiary is non-trade in nature, unsecured, interest-free and is repayable on demand. The carrying amount of due to a subsidiary approximates its fair value.

22. Bank borrowings

| | <u>Group</u> | |
|-----------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Trust receipts | 179,223 | 77,711 |
| Bank borrowings | 207,000 | 230,000 |
| | <u>386,223</u> | <u>307,711</u> |

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

Bank borrowings were 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 2.00% (2014: 6.00%) and 5.86% (2014: 7.07%) respectively.

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

During current financial year, a subsidiary of the Group did not fulfil the covenant that requires the maintenance of debt/equity ratio at 85%. As a result, the entire outstanding loan of RMB 207,000,000 (2014: RMB 230,000,000) is presented as current liabilities at the end of the reporting period. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount. The bank had not requested for immediate repayment for outstanding loan amount up to the date of authorisation of these financial statements.

23. Share capital

| | <u>2015</u> | <u>2014</u> | <u>Group and Company</u> | | <u>2014</u> | |
|------------------------------|--------------------------------|------------------|--------------------------|----------------|---------------|----------------|
| | No. of ordinary shares '000 | '000 | USD'000 | RMB'000 | USD'000 | RMB'000 |
| Authorised (of USD0.05 each) | <u>1,000,000</u> | <u>1,000,000</u> | <u>50,000</u> | <u>390,000</u> | <u>50,000</u> | <u>390,000</u> |
| Issued and fully paid | | | | | | |
| At 1 January and 31 December | <u>383,288</u> | <u>383,288</u> | <u>19,164</u> | <u>149,488</u> | <u>19,164</u> | <u>149,488</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

24. Share premium

| | <u>Group and Company</u> | | | |
|------------------------------|--------------------------|---------|----------|---------|
| | 2015 | | 2014 | |
| | 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 2015 and 2014 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:

| | <u>Group</u> | |
|--|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Within one year | 6,313 | 6,313 |
| After one financial year but not later than five years | 21,984 | 22,932 |
| After five years | 30,844 | 36,208 |
| | <u>59,141</u> | <u>65,453</u> |

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 addition, the subsidiary also leased a vessel from another related party for the year ended 31 December 2015. The contract has expired, without renewal, by the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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;
 - (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

| | <u>2015</u> RMB'000 | <u>Group</u> <u>2014</u> RMB'000 |
|--|------------------------|--|
| Revenue | | |
| Sale of LPG to a related party | 288,727 | 154,991 |
| Expenses | | |
| Lease of port terminals, land use rights, office premises and staff dormitory paid to a related party | (5,364) | (5,364) |
| Vessel rental paid to a related party | (5,744) | (8,821) |
| LPG transportation vehicles rental paid to related parties | (385) | (301) |
| Storage tanker rental paid to a related party | (206) | (773) |
| Electricity charged by a related party | - | (1,463) |
| Petrol for car usage paid to a related party | (82) | (194) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

28. Significant related party transactions (Continued)

(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:

| | <u>Group</u> | |
|--------------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Director's fees | 546 | 553 |
| Short-term benefits | 576 | 910 |
| Post-employment benefits | 44 | 79 |
| | 1,166 | 1,542 |

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 (2014: 1 debtor) that individually represented more than 70% (2014: 60%) of 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 2015 and 2014, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 | |
|-----------------------------|----------------|----------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Past due for 1 to 30 days | 39,360 | 32,410 |
| Past due for 31 to 90 days | 17 | 148 |
| Past due for 91 to 180 days | 165 | 94 |
| | <u>39,542</u> | <u>32,652</u> |

Liquidity risk

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

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

| Group | Group | | | |
|---|--|---|-------------------------------------|--------------------------|
| | Effective interest rate % | Less than 1 year RMB'000 | 2 to 5 years RMB'000 | Total RMB'000 |
| <u>Undiscounted financial assets</u> | | | | |
| Trade receivables | - | 39,542 | - | 39,542 |
| Value added tax receivables, 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 | | <u>57,643</u> | - | 57,643 |
| Due from related parties | - | 104,514 | - | 104,514 |
| Available-for-sale investment | - | 75,500 | - | 75,500 |
| Cash and cash equivalents | - | 36,322 | - | 36,322 |
| As at 31 December 2015 | | <u>273,979</u> | - | <u>273,979</u> |
| Trade receivables | - | 32,652 | - | 32,652 |
| Value added tax receivables, net | - | 31,092 | - | 31,092 |
| Staff advances | - | 228 | - | 228 |
| Others | - | 690 | - | 690 |
| Allowances for impairment of other receivables | - | (39) | - | (39) |
| Trade and other receivables | | <u>64,623</u> | - | 64,623 |
| Due from related parties | - | 56,727 | - | 56,727 |
| Available-for-sale investment | - | 65,010 | - | 65,010 |
| Cash and cash equivalents | - | 21,500 | - | 21,500 |
| As at 31 December 2014 | | <u>207,860</u> | - | <u>207,860</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

| Group | Group | | | |
|---|------------------------------------|--------------------------------|----------------------------|------------------|
| | Effective interest rate % | Less than 1 year RMB'000 | 2 to 5 years RMB'000 | Total RMB'000 |
| Undiscounted financial liabilities | | | | |
| 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 |
| Trade and other payables | | 49,110 | - | 49,110 |
| 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 |
| Trade payables | - | 121,666 | - | 121,666 |
| Accrued expenses | - | 14,965 | - | 14,965 |
| Due to a director | - | 2,317 | - | 2,317 |
| Others | - | 2,621 | - | 2,621 |
| Trade and other payables | | 141,569 | - | 141,569 |
| Due to a related party | - | 4,018 | - | 4,018 |
| Bank borrowings, fixed interest rates | 6.00 | 77,970 | - | 77,970 |
| Bank borrowings, floating interest rates | 7.07 | 275,861 | - | 275,861 |
| As at 31 December 2014 | | 499,418 | - | 499,418 |
| Total undiscounted net financial liabilities | | | | |
| - at 31 December 2015 | | (178,312) | - | (178,312) |
| - at 31 December 2014 | | (291,558) | - | (291,558) |

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

| Company | Company | | | |
|--------------------------------------|------------------------------------|--------------------------------|----------------------------|------------------|
| | Effective interest rate % | Less than 1 year RMB'000 | 2 to 5 years RMB'000 | Total RMB'000 |
| Undiscounted financial assets | | | | |
| Cash and cash equivalents | - | 143 | - | 143 |
| As at 31 December 2015 | - | 143 | - | 143 |
| Cash and cash equivalents | - | 643 | - | 643 |
| As at 31 December 2014 | - | 643 | - | 643 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

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 |
| <u>Undiscounted financial liabilities</u> | | | | |
| 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 | - | <u>32,414</u> | - | <u>32,414</u> |
| Trade and other payables | - | 3,551 | - | 3,551 |
| Due to related party | - | 4,018 | - | 4,018 |
| Due to a subsidiary | - | 22,053 | - | 22,053 |
| As at 31 December 2014 | - | <u>29,622</u> | - | <u>29,622</u> |
| Total undiscounted net financial assets/(liabilities) | | | | |
| - At 31 December 2015 | | <u>(30,786)</u> | - | <u>(30,786)</u> |
| - At 31 December 2014 | | <u>(27,590)</u> | - | <u>(27,590)</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Interest rate risk (Continued)

| | <u>Group</u> | | | |
|-------------------------------|------------------------------------|-----------------|----------------------------------|-----------------|
| | <u>Consolidated profit or loss</u> | | <u>Other component of equity</u> | |
| | 10% | 10% | 10% | 10% |
| | <u>increase</u> | <u>decrease</u> | <u>increase</u> | <u>decrease</u> |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2015 | | | | |
| Bank borrowings | (1,275) | 1,275 | - | - |
| As at 31 December 2014 | | | | |
| Bank borrowings | (1,675) | 1,675 | - | - |

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").

| <u>Group</u> 2015 | <u>USD</u> RMB'000 | <u>RMB</u> RMB'000 | <u>SGD</u> RMB'000 | <u>Total</u> RMB'000 |
|--|-----------------------|-----------------------|-----------------------|-------------------------|
| <u>Financial assets</u> | | | | |
| Trade receivables | 33,839 | 5,703 | - | 39,542 |
| Value added tax receivables, 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 |
| Available-for-sale 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 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

| | <u>USD</u> RMB'000 | <u>RMB</u> RMB'000 | <u>SGD</u> RMB'000 | <u>Total</u> RMB'000 |
|--|-----------------------|-----------------------|-----------------------|-------------------------|
| Financial liabilities | | | | |
| Trade payables | 32,421 | - | - | 32,421 |
| Accrued expenses | - | 11,270 | 1,200 | 12,470 |
| Due to as 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 |
| | <u>215,852</u> | <u>220,055</u> | <u>3,634</u> | <u>439,541</u> |
| Net financial (liabilities)/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 | <u>(177,805)</u> | <u>-</u> | <u>(3,608)</u> | <u>(181,413)</u> |
| Group 2014 | | | | |
| | <u>USD</u> RMB'000 | <u>RMB</u> RMB'000 | <u>SGD</u> RMB'000 | <u>Total</u> RMB'000 |
| Financial assets | | | | |
| Trade receivables | 31,173 | 1,479 | - | 32,652 |
| Value added tax receivables, net | - | 31,092 | - | 31,092 |
| Staff advances | - | 228 | - | 228 |
| Others | - | 690 | - | 690 |
| Allowances for impairment of other receivables | - | (39) | - | (39) |
| Trade and other receivables | 31,173 | 33,450 | - | 64,623 |
| Due from related parties | - | 56,727 | - | 56,727 |
| Margin deposits | 1,389 | - | - | 1,389 |
| Available-for-sale investments | - | 65,010 | - | 65,010 |
| Pledged fixed deposits | - | 42,084 | - | 42,084 |
| Cash and cash equivalents | 733 | 20,664 | 103 | 21,500 |
| | <u>33,295</u> | <u>217,935</u> | <u>103</u> | <u>251,333</u> |
| Financial liabilities | | | | |
| Trade payables | 120,755 | 911 | - | 121,666 |
| Accrued expenses | - | 13,731 | 1,234 | 14,965 |
| Due to a director | - | - | 2,317 | 2,317 |
| Others | - | 2,621 | - | 2,621 |
| Trade and other payables | 120,755 | 17,263 | 3,551 | 141,569 |
| Due to related parties | 4,018 | - | - | 4,018 |
| Bank borrowings | 77,711 | 230,000 | - | 307,711 |
| | <u>202,484</u> | <u>247,263</u> | <u>3,551</u> | <u>453,298</u> |
| Net financial (liabilities)/assets | (169,189) | (29,328) | (3,448) | (201,965) |
| Less: Net liabilities/(assets) denominated in respective entities functional currency | (5,947) | 29,328 | - | 23,381 |
| Currency exposure | <u>175,136</u> | <u>-</u> | <u>(3,448)</u> | <u>178,584</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

| <u>Company</u> 2015 | <u>USD</u> RMB'000 | <u>RMB</u> RMB'000 | <u>SGD</u> RMB'000 | <u>Total</u> RMB'000 |
|---|-----------------------|-----------------------|-----------------------|-------------------------|
| 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 liabilities | (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) |
| 2014 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 540 | - | 103 | 643 |
| Margin deposits | 1,389 | - | - | 1,389 |
| | 1,929 | - | 103 | 2,032 |
| Financial liabilities | | | | |
| Trade and other payables | - | - | 3,551 | 3,551 |
| Due to a subsidiary | - | 22,053 | - | 22,053 |
| Due to a related party | 4,018 | - | - | 4,018 |
| | 4,018 | 22,053 | 3,551 | 29,622 |
| Net financial liabilities | (2,089) | (22,053) | (3,448) | (27,590) |
| Less: Net liabilities denominated in functional currency | 2,089 | - | - | 2,089 |
| Currency exposure | - | (22,053) | (3,448) | (25,501) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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.

| | <u>Group</u> | | | |
|--------------------------|------------------------------------|-------------|----------------------------------|-------------|
| | <u>Consolidated profit or loss</u> | | <u>Other component or equity</u> | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December | | | | |
| USD | (17,781) | 17,514 | (17,781) | 17,514 |
| SGD | 361 | 345 | 361 | 345 |

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.

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

31. Capital management policies and objectives (Continued)

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 a debt/equity ratio of 85% (Note 22).

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.

The Group's strategy was to maintain the debt to equity ratio under 1. The debt-equity ratios as at 31 December 2015 and 2014 were as follows:

| | <u>Group</u> | |
|----------------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| Total liabilities | 461,869 | 476,253 |
| Equity | 85,797 | 34,127 |
| Debt to equity ratio | <u>5.38</u> | <u>13.96</u> |

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

The Group's overall strategy remains unchanged from 2014.

32. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (Note 2.18).

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:

| | <u>Group</u> | |
|--------------|------------------------|------------------------|
| | <u>2015</u> RMB'000 | <u>2014</u> RMB'000 |
| PRC | 1,722,874 | 1,767,557 |
| Asia Pacific | 191,989 | 220,852 |
| | <u>1,914,863</u> | <u>1,988,409</u> |

Major customers

The revenues from one customer, which is a related party, of the Group's trading segment represent approximately RMB288,727,000. (2014: RMB154,991,000).

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

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2016

| SIZE OF SHAREHOLDINGS | | NO. OF SHAREHOLDERS | | NO. OF SHARES | |
|-----------------------|--------------|---------------------|--------------------|---------------|---|
| | | | % | | % |
| 1 - 99 | 1 | 0.05 | 20 | 0.00 | |
| 100 - 1,000 | 53 | 2.58 | 52,700 | 0.01 | |
| 1,001 - 10,000 | 888 | 43.21 | 6,418,000 | 1.68 | |
| 10,001 - 1,000,000 | 1,096 | 53.33 | 67,509,600 | 17.61 | |
| 1,000,001 and above | 17 | 0.83 | 309,307,680 | 80.70 | |
| Total | 2,055 | 100.00 | 383,288,000 | 100.00 | |

SUBSTANTIAL SHAREHOLDERS

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

NOTE:-

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

(2) Not meaningful.

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2016

| | NAME OF SHAREHOLDER | NO. OF SHARES | % |
|---|-------------------------------------|---------------|-------|
| 1 | CIMB SECURITIES (SINGAPORE) PTE LTD | 244,282,700 | 63.73 |
| 2 | WANG HUA ZHU | 21,880,000 | 5.71 |
| 3 | PHILLIP SECURITIES PTE LTD | 15,432,780 | 4.03 |
| 4 | TANG YUAN BO | 4,933,200 | 1.29 |
| 5 | MAYBANK KIM ENG SECURITIES PTE LTD | 4,490,000 | 1.17 |
| 6 | CHAN KHENG ANN | 2,000,000 | 0.52 |
| 7 | XU RIZHAO | 1,841,400 | 0.48 |
| 8 | LI KUN | 1,791,000 | 0.47 |
| 9 | UOB KAY HIAN PTE LTD | 1,770,000 | 0.46 |

STATISTICS OF SHAREHOLDINGS

As at 16 March 2016

| | | | |
|----|-----------------------------|--------------------|--------------|
| 10 | KALINAR INVESTMENTS PTE LTD | 1,700,000 | 0.44 |
| 11 | CHEN ZEFENG | 1,641,000 | 0.43 |
| 12 | OCBC SECURITIES PRIVATE LTD | 1,638,100 | 0.43 |
| 13 | GAN TIAM SIANG | 1,527,500 | 0.40 |
| 14 | KIM SENG HOLDINGS PTE LTD | 1,190,000 | 0.31 |
| 15 | GUO SHAO KAI | 1,094,000 | 0.29 |
| 16 | LEE LENG LOKE | 1,053,000 | 0.27 |
| 17 | TAN ENG CHUA EDWIN | 1,043,000 | 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: | <u>311,720,680</u> | <u>81.32</u> |

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information provided to the Company as at 16 March 2016, approximately 36.62% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of OUHUA ENERGY HOLDINGS LIMITED will be held at Lotus Room, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Friday, 29 April 2016 at 2:00 p.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 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 Liang Guo Zhan (Bye-Law 104) **(Resolution 2)**
 - Mr Tham Hock Chee (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 2015. **(Resolution 4)**
4. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:-

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

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

- (A)
 - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

provided that:-

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

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:-
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and
 - (ii) any subsequent consolidation or sub-division of shares;
- (3) in exercising the authority conferred by this authority, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.”

[see Explanatory Note 2]

(Resolution 6)

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

“That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of the SGX-ST for the Company and its subsidiary to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2013 (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
7 April 2016

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

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

Mr Tham Hock Chee will, upon re-election as Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee. The Board considers Mr Tham Hock Chee 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) A Depositor who is a natural person need not submit the Depositor Proxy Form if he is attending the Annual General Meeting in person. Where a Depositor 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.
- (ii) 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 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 forty-eight (48) hours before the time appointed for the Annual General Meeting.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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Appendix

7 April 2016

This Appendix is circulated to Shareholders of Ouhua Energy Holdings Limited (“the Company”) together with the Company’s annual report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders’ Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held at Lotus Room, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Friday, 29 April 2016 at 2:00 pm.

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

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

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



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” : 潮州市欧华能源有限公司
(Chaozhou Ouhua Energy Co, Ltd.)
- “Company” or “Ouhua Energy” : Ouhua Energy Holdings Limited
(欧华能源控股有限公司)
- “Group” : Our Company and our PRC subsidiary, Chaozhou Ouhua

Other Companies and Organisations

- “CDP” : The Central Depository (Pte) Limited
- “Huafeng Group” : 潮州市华丰集团有限公司
(Chaozhou Huafeng (Group) Ltd)
- “Huafeng Incorporation” : 潮州市华丰集团股份有限公司
(Chaozhou Huafeng (Group) Incorporation Ltd)
- “Huafeng 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
- “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;

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- (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 our Company |
| “Bye-laws” | : | The bye-laws of our Company, as amended, supplemented or modified from time to time |
| “Directors” | : | The directors of our Company |
| “Latest Practicable Date” | : | 31 March 2016, being the latest practicable date prior to the printing of this Appendix |
| “Listing Manual” | : | The Listing Manual of the SGX-ST |
| “PRC” | : | People’s Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People’s Republic of China and the Hong Kong Special Administrative Region of the People’s Republic of China, for the purpose of this Prospectus and for geographical reference only |
| “Shares” | : | Ordinary shares of US\$0.05 each in the capital of our Company |
| “Shareholders” | : | Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares |

Currencies, Units and Others

| | | |
|---------------------|---|--------------------------------|
| “RMB” or “Renminbi” | : | The lawful currency of the PRC |
| “%” or “per cent.” | : | Per centum or percentage |

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

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

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

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

APPENDIX

1. INTRODUCTION

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

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

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

Pursuant to Chapter 9 of the Listing Manual, the Shareholders' Mandate, which was approved by the Shareholders on 13 September 2006 and renewed on 25 April 2007, 28 April 2008, 30 April 2009, 28 April 2010, 29 April 2011, 26 April 2012, 30 April 2013, 29 April 2014, and 30 April 2015 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 29 April 2016, 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.

Huafeng Group

Huafeng Group is a company incorporated in the PRC and is primarily engaged in investment holding. Liang Guo Zhan, our Executive Chairman, owns 79.0% of Huafeng Group while Wang Hua Zhu, our Substantial Shareholder and mother of Liang Guo Zhan, and Guo Shao Kai, own 20.0% and 1.0% of Huafeng Group respectively.

Huafeng Incorporation

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%.

Huafeng Storage

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 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.

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

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

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

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

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

(ii) Sale of LPG

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

(iii) Lease of LPG transportation vehicles

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

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

2.3 Rationale for and benefits of the Shareholders' Mandate

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

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

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

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

2.4 Guidelines and Review Procedures under Shareholders' Mandate

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

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

- (a) When selling our products to interested persons, the sale price and terms of the sale shall be based on two most recent transactions with unrelated third parties and on terms which are no more favourable to the interested persons as compared to the price and terms extended to unrelated third parties (including where applicable, preferential rates/prices/discounts accorded for bulk purchases/delivery arrangement/credit terms) or otherwise in accordance with applicable industry norms;
- (b) When engaging the services of interested persons, at least two other quotations from unrelated third parties will be obtained for comparison. The fees charged shall not be higher than the most competitive fee quoted by the unrelated third parties and the terms extended by the interested persons shall not be less favourable to us than the terms extended by the unrelated third parties. In determining the most competitive price, all pertinent factors, including but not limited to quality, specifications and requirements, duration of contracts, credit terms, delivery arrangement and track record will be taken into consideration; and
- (c) In cases where it is not possible to obtain comparables from other unrelated third parties due to the nature of the transaction (for example, if there are no unrelated third party vendors providing a similar service), we will consider whether the pricing of the transaction is in accordance with usual business practices and pricing policies and consistent with the usual margins to be obtained for the same or substantially similar types of transactions to determine whether the relevant transaction is undertaken on an arm's length basis and on normal commercial terms. In determining the transaction price, factors including, but not limited to quantity, specifications and requirements, duration of contracts, credit terms, delivery arrangement and track record will be taken into consideration.

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

- (i) where an individual transaction is below RMB 500,000, such transaction will be subject to prior approval by our Chief Financial Officer and/or General Manager;
- (ii) where an individual transaction is equal to or in excess of RMB 500,000, such transaction will be subject to prior approval by our Audit Committee; and
- (iii) where the aggregate value of all transactions with the same interested person in the same financial year is equal to or in excess of RMB 20.0 million, all transactions comprising such an amount will be reviewed by our Audit Committee to ensure that 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

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reviewed by the Audit Committee will be excluded from the aggregation of transactions for the purpose of this review.

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

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

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

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

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

3. AUDIT COMMITTEE'S STATEMENT

- (i) The Audit Committee (currently comprising Mr Gan Thiam Poh, 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 30 April 2015 and that such methods and procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.
- (ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, our Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

| | Direct Interest | | Deemed Interest | |
|---|------------------|-------------------|------------------|-------|
| | Number of Shares | % | Number of Shares | % |
| Directors | | | | |
| Liang Guo Zhan ^{(1), (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 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 Ye Tian Shun, Mr Gan Thiam Poh, 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 Friday, 29 April 2016 at 2:00 pm at Lotus Room, 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.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

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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 27 April 2016 (the “Cut Off Date”), as its proxy/proxies to attend and vote at the AGM. Accordingly, an individual Depositor who wishes to attend and vote in person at the AGM can do so without having to submit the proxy form issued to Depositors (“Depositor Proxy Form”) together with the Notice of AGM.

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

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

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

8. DIRECTORS’ RESPONSIBILITY STATEMENT

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

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

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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

Mr 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
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535

Partner-in-charge: Mr. 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, Lihua 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
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