Ohwa Energy
欧华能源

OUHUA ENERGY HOLDINGS LIMITED

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

OUHUA ENERGY HOLDINGS LIMITED

REFUELLED RESILIENCE

ANNUAL REPORT 2019

MISSION

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

CONTENTS

CORPORATE **PROFILE**

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

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

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

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

CHAIRMAN'S
MESSAGE

Dear Shareholders,

It is my pleasure to present to you the Group's performance for the financial year ended 31 December 2019 ("FY2019"). In spite of the ongoing macroeconomic uncertainties and pressure, our results stood up to the challenges, and we delivered another consecutive year of profitability.

BUSINESS REVIEW

For the year in review, the Group's revenue improved slightly by approximately 16.2% or RMB 440.87 million, from RMB 2,717.34 million for the financial year ended 31 December 2018 ("FY2018") to RMB 3,158.21 million in FY2019. The increase was brought about by the expansion of our distribution network in East China and the Pearl River Delta, leading to an increase in the sales volume of liquefied petroleum gas ("LPG") from 694,094 tons in FY2018 to 934,822 tons in FY2019, partially offset by a 13.6% decrease in the average selling price of LPG from RMB 3,915 per ton in the preceding year to RMB 3,381 per ton in FY2019 following increased competition in the Chinese market.

Corresponding to the growth in revenue in FY2019, gross profit increased by RMB 5.86 million or 6.8%, from RMB 86.73 million in FY2018 to RMB 92.59 million, mainly as a result of the increase in sales volume. Gross profit margin on the other hand, slipped slightly from the 3.2% achieved in FY2018 to 2.9% in FY2019, mainly due to two factors: (i) the increasing competition from LPG produced by domestic refining plants; and (ii) the higher marine transportation cost from the Middle East to China. Taking into account costs and taxes, the Group achieved a net profit of RMB 14.72 million for FY2019, standing at a 28.6% reduction from the RMB 20.60 million the Group registered for FY2018.

OUTLOOK FY2020

For the most part, global market conditions in FY2019 were subdued, with activity in major economies slowing down steeper than what was previously expected. Looking ahead at the next financial year, the International Monetary Fund has projected global growth at 3.3%[1], and that of China's growth is expected to moderate to 6.0% in 2020.

A more imminent concern would be the outbreak of the 2019 Novel Coronavirus ("COVID-19") that has been casting shadows on the Chinese economy in 2020. With the spread affecting numerous countries to date, we might see a shrinking of domestic demand from the downstream sector of LPG industries, and higher barriers to expanding our businesses to the rest of the world. However, being the primary source of

[1] World Economic Outlook, January 2020. International Monetary Fund

clean energy in southern China, we anticipate that the demand for LPG will remain resilient and will continue to sustain the Group's performance in the foreseeable future. With effort and the support of the Chinese Government, the situation is likely to see some light and would turn around in the upcoming months.

Another area from which we can benefit from is the Chinese Government's boosting of monetary and fiscal policies to reduce the Group's expenditure on tax and interest costs. The Ouhua Management maintains its confidence on the prospects of the Group. We will continue to strengthen our strategic alliance with PRC banks and focus on our core market to leverage our advantage in the global supply chain as well as the excellent infrastructure and facilities we have in place, so as to enhance our competitiveness and improve our profitability in the long run.

APPRECIATION

On behalf of the board of directors of the Company, I would like to thank our customers, business partners, staff and all other stakeholders for their invaluable support and contribution through the years. To our dearest esteemed shareholders, I give my deepest thanks for your continued trust and faith in us. As we cross over a year of volatility, we will stay prepared to surmount the challenges and deliver continued resilience in our results and value.

LIANG GUO ZHAN
Executive Chairman
Ouhua Energy Holdings Limited

尊敬的各位股东：

我很高兴地提呈集团截至2019年12月31日止财政年度（“2019财年”）的表现。纵使宏观经济持续存在着不确定性和压力，我们的业绩经受住了考验，取得又连续一年的盈利。

业务回顾

2019财年，本集团的总收入上升了约16.2%或人民币4.41亿，由2018财年的人民币27.2亿至2019财年的人民币31.　6亿。此增长来自集团在中国东部和珠江三角洲的分销网络的扩展，因而带动液化油（“LPG”）的销售量，从2018财年的694,094吨增加到2019财年的934,822吨。由于中国市场竞争加剧，液化油的平均销售价从上一年的人民币3,915/吨下降13.6%至2019财年的人民币3,381/吨，部分抵消总收入增长。

于2019财年的总收入增长相应，毛利上涨了人民币586万或6.8%，从2018财年的人民币8,673万增至2019财年的人民币9,259万，主要由于销售量增加所致。毛利润则从2018财年取得的3.2%略降至2019财年的2.9%。下滑主要由于两个因素：（i）来自国内炼化厂所生产的液化油的竞争增加；及（ii）从中东至中国的海上运输成本提高了。经计入成本及税款后，本集团于2019财年录得净利为人民币1,472万，与2018财年集团录得的人民币2,060万相比，减少了28.6%。

展望

绝大部分情况，全球经济状况在2019财年都表现疲软，主要经济体的经济活动放缓幅度超乎预期。展望下一个财年，国际货币基金组织预期全球增长为3.3%[1]，而中国的增长则预计将在2020年放缓至6.0%。

[1] 世界经济展望2020年1月.国际货币基金组织

一个更迫在眉间的担忧便是2019年新型冠状病毒（“COVID-19”）的爆发，已为中国经济在2020年蒙上阴影。随着疫情至今已散播到数个国家，我们可能会看到液化油工业下游行业在国内需求的萎缩，集团将其业务扩大到其他国家也将受到更高的阻碍。然而，作为清洁能源在中国南部的主要来源，我们预计对LPG的需求将保持强劲，并将在可预见的未来继续维持本集团的业绩。有中国政府的努力和支持下，局势可能在未来几个月内看见曙光并有所好转。

集团另一个可从中受益的领域是中国政府推动的货币和财政政策，以减少集团税款和利息成本开支。欧华管理层对集团的前景保持信心。我们将持续强化我们与中国各银行的策略性联盟和专注于我们的核心市场以利用我们在全球供应链中的优势以及我们所拥有的卓越基础设施建设，从而增强集团的竞争力并提升集团长远的盈利能力。

鸣谢

我在此代表董事会对我们的客户，业务伙伴，员工及所有利益相关者为他们多年来的支持和贡献表示衷心的感谢。对各位尊敬的股东们，我对你们给予集团的持续信任及信念致以最深的谢意。横跨另一个波动的年度，我们会做好准备应对挑战，继续保持坚韧的成绩和价值。

梁国湛

执行主席

欧华能源控股有限公司

POISED FOR THE FUTURE

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

OUHUA ENERGY HOLDINGS LIMITED BERMUDA

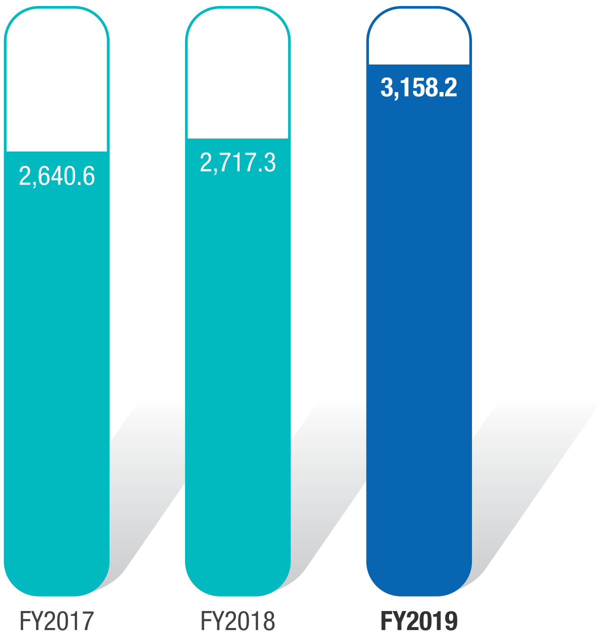
Chaozhou Ouhua Energy Co., Ltd. (PRC)

Ouhua Energy (Singapore) Pte Ltd (Singapore)

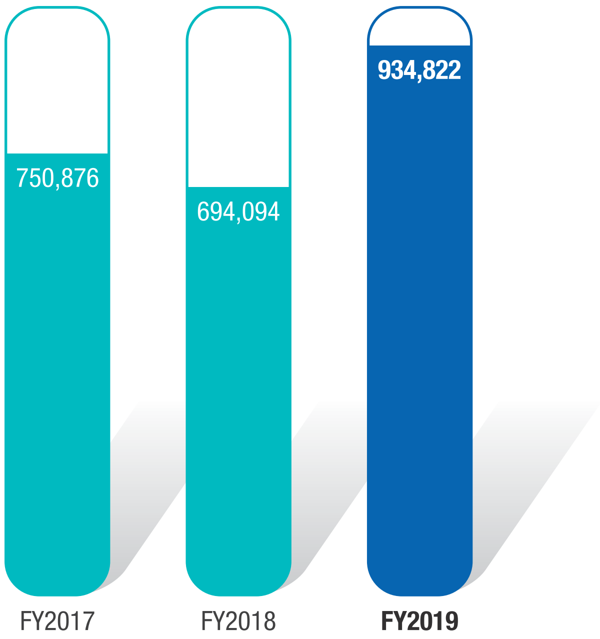
We are cautiously optimistic about both the short-term and the long-term future of our Group due to our Group's ongoing transformation and our focused efforts in capturing opportunities to improve and advance our level of technology.

FINANCIAL
HIGHLIGHTS

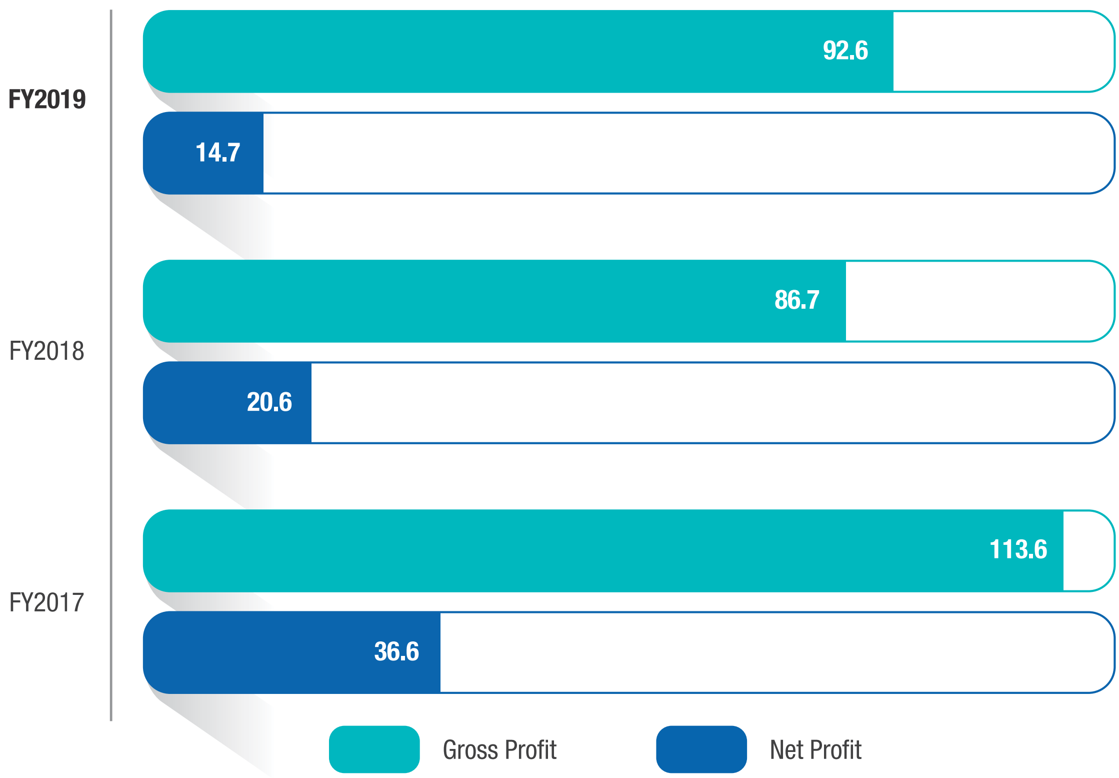
REVENUE
(RMB 'million)



SALES VOLUME
(tonnes)

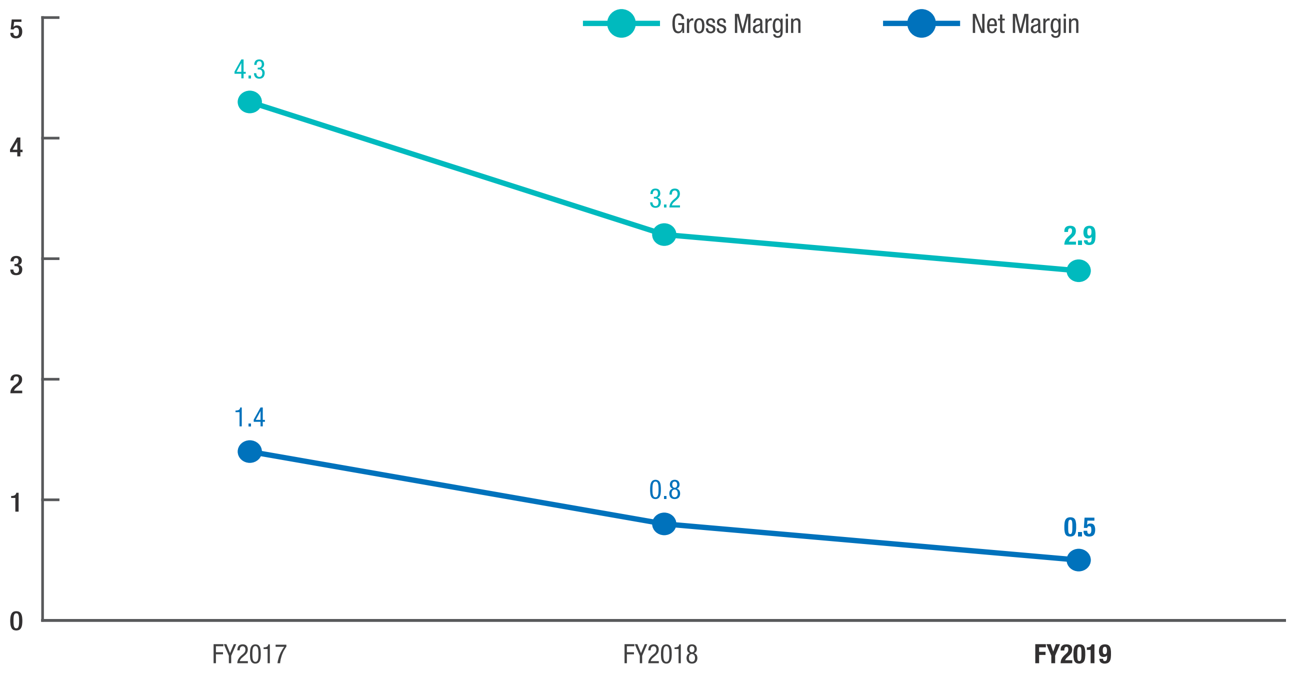


GROSS AND NET PROFITS
(RMB 'million)



PROFIT MARGINS

(%)



KEY FINANCIAL RATIO

	FY2017	FY2018	FY2019
Earnings per Share (RMB cents)	9.6	5.4	**3.8**
Gross Margin (%)	4.3	3.2	**2.9**
Net Margin (%)	1.4	0.8	**0.5**
Gearing Ratio (times)	0.8	0.8	**0.5**
NAV (RMB cents)	42.6	47.5	**51.4**

FINANCIAL CALENDAR

	FY2017	FY2018	FY2019
Designed Capacity (tonnes)	900,000	900,000	**900,000**
Weighted Average Design Capacity (tonnes)	900,000	900,000	**900,000**
Actual Output (tonnes)	750,876	694,094	**934,822**
Actual Output (percentage)	83.4	77.1	**103.9**

OPERATING REVENUE

FY2019 was steeped in a multitude of headwinds that caused the weakening of global market conditions and activity in major economies to slow down significantly. The Group stayed resilient, handing in a result sheet of continued profitability for the year. Revenue for the year grew 16.2% to RMB 3,158.21 million, with sales increasing in both the first and second half of the year. While there was a 34.7% increase in LPG sales volume from 694,094 tons in FY2018 to 934,822 tons in FY2019 following the expansion of our distribution network in East China and the Pearl River Delta, the increase was partially offset by a fall in the average selling price of LPG by approximately 13.6% year-on-year ("yoy") to RMB 3,381 per ton in FY2019. This came about mainly due to stiffening competition in the Chinese market.

COSTS AND EARNINGS ANALYSIS

In line with the increase in sales volume, gross profit went up 6.8% (RMB 5.86 million) to RMB 92.59 million in FY2019 (FY2018: RMB 86.73 million). However, despite the upturn in revenue, our gross profit margin was pushed down from 3.2% in FY2018 to 2.9% in FY2019, led by increasing competition from LPG produced by domestic refining plants, as well as higher marine transportation costs from the Middle East to China.

Other operating income edged up RMB 1.25 million or 14.9% from RMB 8.35 million in 2018 to RMB 9.60 million for the year in review. This was mainly due to the LPG book out transactions in FY2019, offset by reduced subsidy income for the period.

Operating expenses increased mainly due to:

(i) Selling and distribution expenses creeping up 28.0% yoy from RMB 28.97 million in 2018 to RMB 37.09 million in 2019, caused by higher marine freight costs to access the Pearl River Delta and Yangzi River Delta markets, partially offset by lower tugboat charges.

(ii) Administrative expenses reducing slightly by RMB 2.77 million or 14.3% from RMB 19.36 in FY2018 to RMB 16.60 million in FY2019, attributable to lower overhaul cost and savings on utilities cost.

(iii) Other operating expenses inflating 27.4% (RMB 4.95 million) yoy to RMB 23.00 million in FY2019 (FY2018: RMB 18.05 million) largely due to foreign exchange loss following the depreciation of the RMB against the USD in FY2019.

For the financial year in review, the Group incurred finance costs of RMB 10.78 million, an approximate 33.2% increase from the RMB 8.09 million recorded in FY2018, brought about by the increase in interest expense.

Taking into account the aforementioned factors, net profit attributable to equity holders of the Company for FY2019 stood at RMB 14.72 million, compared with the net profit of RMB 20.60 million in FY2018, representing a decrease of 28.6%.

FINANCIAL POSITION AND LIQUIDITY

The Group's financial position stayed relatively stable through FY2019. As at 31 December 2019, non-current assets of the Group stood at RMB 153.64 million, an increase of RMB 13.25 million or 9.4% from RMB 140.39 million as at 31 December 2018. This was mainly due to the recognition of right-of-use assets amounting to RMB 27.00 million in accordance with the newly-introduced IFRS 16 while partially offset by depreciation of property, plant and equipment of RMB 13.25 million.

Current assets increased by RMB 66.82 million or 19.1% from RMB 350.69 million as at FY2018, reaching RMB 417.51 million as at 31 December 2019. The rise was mainly led by the increase in inventories of RMB 93.63 million, increase in cash and cash equivalents of RMB 12.00 million and a pledged fixed deposit increase of RMB 4.72 million, partially offset by a decrease in trade and other receivables of RMB 42.64 million.

Current liabilities increased by approximately RMB 48.75 million or 15.8% from RMB 308.96 million as at 31 December 2018 to RMB 357.71 million as at 31 December 2019.

Non-current liabilities increased by RMB 16.65 million due to recognition of lease liabilities following the adoption of IFRS 16 Leases.

CASH FLOW

As at 31 December 2019, the Group recorded cash and cash equivalents amounting to RMB 71.34 million, a net increase of RMB 12.00 million that can be attributed to (i) foreign exchange rate changes of RMB -0.06 million on foreign currency cash balances; and (ii) total net cash outflow of RMB 12.02 million from operating, investing and financing activities during FY2019.

Net cash generated from operating activities amounted to RMB 79.10 million, mainly due to cash utilised in working capital contributed by decrease in trade and other receivables (RMB 42.64 million) and an increase in trade and other payables of RMB 76.57 million, while partially offset by an increase in inventories of RMB 93.63 million and margin deposit.

The net cash used in investing activities of RMB 3.43 million related to the purchase of property, plant and equipment of the same amount.

Net cash used in financing activities that totalled RMB 63.65 million arose mainly from:

(i) the repayment of bank borrowings of RMB 1,168.97 million; and
(ii) the repayment of lease liabilities of a sum of RMB 11.12 million; and
(iii) an increase in pledged fixed deposits of RMB 4.72 million

partially offset by proceeds from bank borrowings amounting to RMB 1,122.03 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 sustainability report is a standalone report and the Company is in the midst of preparing it. Upon its completion, the Company will publish it separately from its Annual Report.

FORGING THE PATH FORWARD

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

BOARD OF **DIRECTORS**

LIANG GUO ZHAN

Executive Chairman

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

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

YE TIAN SHUN

Executive Director

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

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

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

GERALD YEO

Lead Independent Director

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

THAM HOCK CHEE

Independent Director

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

SENIOR MANAGEMENT

XIE JINGYUAN

Chief Financial Officer

XIE JINGYUAN was appointed as the Chief Financial Officer of our Group on 13 May 2019 and is responsible for the financial and accounting aspects of our Group business. Prior to joining our Group, he worked as Internal Auditing Director of Xinhe New Material Co., Ltd from January 2019 to May 2019. From April 2012 to April 2018 he worked as Financial Controller of Magna Fuzhou Automotive Seating Co., Ltd. Prior to that, he was Financial Manager of Fujian Titan Petrochemicals Storage Development Limited from March 2007 to April 2012. Xie Jingyuan is a member of Association of Chartered Certified Accountants and a member of Chinese Institute of Certified Public Accountants. He holds a Master of Business & Administration of Xiamen University.

FINANCIAL CONTENTS

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 2018 (the "**Code**") issued by the Monetary Authority of Singapore. The Company is pleased to confirm that for the financial year ended 31 December 2019 ("**FY2019**"), 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

The Board's Conduct of Affairs

Principle 1:. The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

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

The principal functions of the Board include the following:

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

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

(c) review management performance;

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

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

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

(ii) Directors are fiduciaries who act objectively in the best interests of the Company and hold the Management of the Company accountable for performance by the implementation of a code of conduct and ethics which sets the appropriate tone-of-the-top, culture of the Company and ensures proper accountability within the Company.

(iii) Directors who are facing conflicts of interest will recuse themselves from discussions and decisions involving the issues of conflict.

Matters Requiring Board Approval

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

Frequency of Meetings

(v) Directors attend and actively participate in Board and Board Committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the Company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

(vi) The attendance of each Director at every Board and Board Committee meeting held during FY2019 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	2	2	2	2	1	1	1	1
Mr Gerald Yeo @ Yeo Ah Khe	4	4	4	4	1	1	1	1

Note: Mr Xiong Wei resigned as an Independent Director on 26 June 2019.

(vii) Directors are consistently provided with complete, adequate and timely information prior to meetings to allow Directors to make informed decisions and to discharge their duties and responsibilities. Directors are also periodically briefed on the performance and developments in respect of the Group.

(viii) As a general rule, notices are sent to the Directors at least one week in advance of Board meetings, followed by Board papers in order for the Directors to be adequately prepared for the meetings. Key management personnel attend Board meetings to address queries from the Directors.

(ix) Directors have unrestricted access to the Company's key management personnel, and may also request for further explanations, briefings or informal discussions on any aspects of the Group's operations or business issues from the management. Requests for the Company's information by the Board are dealt with promptly.

Professional Advisers

(x) The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by them in the furtherance of their duties, at the expense of the Company.

Training for the Directors

(xi) 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, regulations and risks which are relevant to the Group. Where appropriate, the Company will arrange for Directors to attend seminars to obtain updates on business and regulatory changes relevant to the Group.

(xii) Directors understand the Company's business as well their directorship duties (including their roles as executive, non-executive and independent directors).

(xiii) Directors with no prior experience as a Director of a listed company is required to undergo training in the roles and responsibilities of a listed company Director unless the nominating committee is of the view that the Director has other relevant experience.

(xiv) The Board ensures that incoming newly-appointed Directors will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of their duties. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations.

Board Committees

(xv) 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.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Independent Directors and Non-Executive Directors

(i) As of this date of this report, the Board comprises of four (4) members. Save for the Executive Chariman, Mr. Liang Guo Zhan and the Executive Director, Mr. Ye Tian Shun, the rest of the Board are non-executive and independent of Management:

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

(ii) The Company endeavours to maintain a strong and independent element on the Board. As there are two (2) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third (1/3) of the Board be comprised of Independent Directors is satisfied. The NC adopts the Code's definition of what constitutes as an Independent Director. The NC The Board considers an Independent Director as one who is independent in conduct, character and judgment, and has no relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. All the Board Committee meetings are chaired by the Independent Directors.

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

(iv) Mr Tham Hock Chee, our Independent Director has served on the Board beyond nine (9) years from the date of his first appointment as at the end of FY2019. 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 Tham suitable to continue to act as an Independent Director. The Board has accepted the NC's recommendation that Mr Tham is considered independent.

Board Size

(v) The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making. The Board intends to nominate a new director for election at the forthcoming AGM as the Board is of the view that a Board size of five (5) members is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company.

(vi) The NC is of the view that no individual or small group of individuals dominate the Board's decision-making process.

Competencies of the Directors

(vii) The NC recommends all appointments and retirements of directors. The NC is of the view that the current Board and Board Committees' composition reflects the broad range of experience, skills, knowledge and other diversity such as gender and age necessary to avoid groupthink and to foster constructive debate. The NC and the Board are both of the view that the current Board and Board Committees comprise of persons whose diverse skills, experience and attributes provides for an effective Board. The profiles of each Director, which include their qualifications and experiences, are set out in this Annual Report. Particulars of interests of Directors who held office at the end of FY2019 in shares in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

(viii) The Independent Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board and Board Committees 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.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

(i) The Company has not created separate positions of Chairman and CEO as the Board is of the view that there are adequate measures in place against an uneven concentration of power and authority in one individual. The roles for both Chairman and CEO of the Company are assumed by Mr Liang Guo Zhan. As such, Mr Liang bears executive responsibility for the Group's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

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

(iii) In view of the above and in line with the Code, Mr Gerald Yeo @ Yeo Ah Khe has been appointed as the Lead independent Director by the Company to enhance the independence of the Board and to assist the Chairman in the discharge of his duties when the need arises. As the Lead Independent Director, he is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman, CEO or Chief Financial Officer ("CFO") of the Group has failed to resolve or where such communication is inappropriate. When necessary, the Independent Directors will have discussions amongst themselves as led by the Lead Independent Director.

4. BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Establishment, Composition and Membership of the NC

(i) At the date of this report, the NC comprises two (2) non-executive and independent Directors and one (1) executive director, hence fulfilling the requirement that the NC be made up of at least three (3) Directors, the majority of whom, including the NC chairman, are Independent Directors. The NC is chaired by Mr Tham Hock Chee. The other members are Mr Ye Tian Shun and Mr Gerald Yeo @ Yeo Ah Khe. The Lead Independent Director is a member of the NC. 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 Board intends to nominate a new non-executive director for election at the forthcoming AGM, who shall replace Mr Ye Tian Shun as a member of the NC if so elected.

(ii) The membership of the NC is as follows:

Chairman:	Tham Hock Chee	(Independent Director)
Members:	Gerald Yeo @ Yeo Ah Khe	(Lead Independent Director)
	Ye Tian Shun	(Executive Director)

Responsibilities of the NC

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

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

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

(c) reviewing the independence of the Directors;

(d) reviewing the adequacy of each Director's contribution at meetings and his ability and capacity in carrying out the duties as a Director, in particular, where the Director concerned has multiple board representations;

(e) deciding on how the Board's performance may be evaluated, and to propose objective performance criteria for assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board;

(f) reviewing the board succession plans for Directors;

(g) ensuring that new Directors are aware of their duties and obligations;

(h) reviewing the training and professional development programmes for the Board; and

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

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

(v) 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.

(vi) 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 and Mr Tham Hock Chee are independent.

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

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

(ix) The dates of initial appointment and last re-election of each Director, together with their directorships in other listed companies subsisting in FY2019 and the last three (3) preceding years are set out below:

Name	Date of initial appointment	Date of last re-election	Present directorships in other listed companies	Past directorships in other listed companies in preceding three (3) years
Liang Guo Zhan	11 January 2006	30 April 2019	-	-

Name	Date of initial appointment	Date of last re-election	Present directorships in other listed companies	Past directorships in other listed companies in preceding three (3) years
Ye Tian Shun	15 August 2008	15 June 2017	-	-
Tham Hock Chee	1 July 2010	20 April 2018	Abundance International Limited	-
Gerald Yeo @ Yeo Ah Khe	26 April 2012	30 April 2019	-	-

Mr Ye Tian Shun and Mr Tham Hock Chee will retire at the Company's forthcoming AGM and will be eligible for and attend to re-election.

(x) 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".

5. BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of the Board Committees and individual directors.

Formal Assessment of the Effectiveness of the Board and Contributions of Each Director

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

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

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

6. REMUNERATION MATTERS

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Establishment, Composition and Membership of the RC

(i) The Company has established the RC, which makes recommendations to the Board on the framework of remuneration and the specific remuneration packages for each Director and the CEO. As the date of this report, the RC comprises two (2) Non-Executive and Independent Directors and one (1) Executive Director. The majority of the RC, including the RC chairman, are independent. The RC is chaired by Mr Tham Hock Chee. The other members are Mr Ye Tian Shun and Mr Gerald Yeo @ Yeo Ah Khe. The RC meets at least once each year and at other times as required. The Board intends to nominate a new non-executive director for election at the forthcoming AGM, who shall replace Mr Ye Tian Shun as a member of the RC if so elected.

(ii) The membership of the RC is as follows:

Chairman:	Tham Hock Chee	(Independent Director)
Members:	Gerald Yeo @ Yeo Ah Khe	(Lead Independent Director)
	Ye Tian Shun	(Executive Director)

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

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

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

(c) reviewing the level and structure of the remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel.

(d) 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;

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

(f) 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;

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

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

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

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

7. LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

(ii) 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.

(iii) 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.

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

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

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

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

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

(iiv) All revisions to the remuneration packages for the Directors and key management personnel are subject to review by and approval of the Board and are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company.

8. DISCLOSURE ON REMUNERATION

***Principle 8**: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

Directors' Remuneration

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

(ii) A breakdown showing the level and mix of the remuneration of each individual Director and key management personnel in FY2019 is as follows:

Remuneration Band	Base/fixed salary	Variable or performance related income/bonuses	Director's fees	Other benefits
Below S$250,000				
Directors				
Mr Liang Guo Zhan	65%	35%	-	-
Mr Ye Tian Shun	65%	35%	-	-
Mr Xiong Wei*	-	-	100%	-
Mr Tham Hock Chee	-	-	100%	
Mr Gerald Yeo @ Yeo Ah Khe	-	-	100%	-
Key Management Personnel				
Mr Fang Shilai	65%	35%	-	-
Mr Xie Jing Yuan*	65%	35%	-	-
Mr Huang Shenle	65%	35%	-	-
Ms Lin Jinjin	65%	35%	-	-
Mr Lai Shudong	65%	35%		

*Mr Xie Jing Yuan had then been appointed, by Board approval, CFO on 13 May 2019. Mr Xiong Wei resigned as Independent Director on 26 June 2019.

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

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

(iv) In considering the disclosure of remuneration of the five (5) key management personnel of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the company's interest. The annual aggregate remuneration paid to these five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2019 is RMB 1,120,611.00.

(v) The Group does not have any employees who are immediate family members of a Director and whose remuneration exceeded S$100,000 during FY2019.

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

9. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the Company and its shareholders'.

(i) The Board and the AC acknowledge that the Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's business. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

(ii) The Board acknowledges that no cost effective internal control system will preclude all errors and irregularities. However, such a system is designed to manage rather than completely eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement, losses or fraud.

(iii) The Board approves, and reviews at least on an annual basis, the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

(iv) The AC is responsible for overseeing risk governance and the related roles and responsibilities of the AC on risk governance include:

(a) proposing the risk governance and risk policies for the Group to the Board;

(b) reviewing the risk management methodology adopted by the Group;

(c) reviewing the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by Management; and

(d) reviewing Management's assessment of risks and Management's action plans to mitigate such risks.

(v) 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 AC and the Board opines that the Group's internal and operation controls established and maintained by the Group, work performed by the external and internal auditors and reviews performed by Management, the Board and Board Committees, and internal controls including financial, operational, compliance and information technology controls, were adequate and effective for FY2019 to address material financial, operational and compliance risks to meet the needs of the Group in their current business environment and scope of operations.

(vi) The Board notes that the system of internal controls and risk management established by the 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 the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

(vii) The CEO and the CFO have provided assurance to the Board that:

(e) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(f) the Company's risk management and internal control systems are adequate and effective.

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

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

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

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

10. AUDIT COMMITTEE

***Principle 10**: The Board has an Audit Committee ("AC") which discharges its duties objectively.*

Establishment, Composition and Membership of the AC

(i) As the date of this report, the AC of the Company comprises two (2) Non-Executive and Independent Directors and one (1) Executive Director. The majority of the AC, including the AC chairman, are independent. The AC is chaired by Mr Gerald Yeo @ Yeo Ah Khe. The other members are Mr Tham Hock Chee and Mr Ye Tian Shun. The AC meets at least four (4) times a year, or more if the circumstances call for it. At least two (2) members, including the AC chairman, have recent and relevant accounting or related financial management expertise or experience. The Board intends to nominate a new non-executive director for election at the forthcoming AGM, who shall replace Mr Ye Tian Shun as a member of the AC if so elected.

(ii) The membership of the AC is as follows:

Chairman:	Gerald Yeo @ Yeo Ah Khe	(Lead Independent Director)
Members:	Ye Tian Shun	(Executive Director)
	Tham Hock Chee	(Independent Director)

Responsibilities of the AC

(iii) The AC is regulated by its Terms of Reference that set out the following responsibilities of its members :

(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 the nature and extent of non-audit services by the external auditors, when necessary and to seek a balance in maintenance of objectivity;

(c) reviewing significant reporting issues and judgments to ensure the integrity of financial statements and any formal announcements relating to the Company's financial statement;

(d) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

(e) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls and risk management systems, including financial, operational, compliance and information technology controls established by the Management;

(f) to review and ratify all interested person transactions, if any, to ensure that they comply with the approval internal control procedures and have been conducted on an arm's length basis;

(g) reviewing the adequacy, effectiveness, independence, scope and results of the company's external and internal audit function of the Group and its cost effectiveness, and the independence and objectivity of the external auditors;

(h) reviewing the Group's financial statements, the accompanying statements and the announcements before submission to the Board for approval so as to ensure the integrity of information to be released;

(i) reviewing significant findings of internal investigations;

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

(k) meeting with the internal auditors and external auditors without the presence of the Management at least once a year;

(l) reviewing interested person transactions; and

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

(iv) The profile of the AC members is set out under this Annual Report. The Board considers that the members of the AC are qualified to discharge the responsibilities of the AC.

Summary of the AC's Activities

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

(vi) 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.

(vii) . 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.

(viii) The AC met 4 times during the year under review. Details of the members' attendance at the meetings are set out above. The CFO, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited as appropriate.

(ix) The AC met on a quarterly basis and reviewed the quarterly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

(x) The AC also reviewed the annual financial statements and discussed with the Management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

(xi) The aggregate amount of audit fees paid to the external auditors and other independent auditors in FY2019 was approximately S$107,000.00 and there were no non-audit fees paid to the external auditors in FY2019. The Board of Directors and the AC are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Group. The Group confirms that it has complied with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to its auditing firms.

(xii) 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.

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

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

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

i. Revenue Recognition
The Audit Committee has engaged the Management over the 16% increase in our Group's revenue in 2019 and has received satisfactory responses over the contributing factors for the increase against the challenging market conditions for LPG and the market volatility of oil and RMB. The Committee has also reviewed Mazars' procedures, analyses, tests and inspection results in relation to revenue recognition and is satisfied with their detailed explanation and the steps taken.

ii. Existence of Cash and Bank Balances
The Audit Committee has noted an increase of 20% Cash and Bank Balances compared to 2018. The Committee has reviewed the various procedures undertaken by Mazars to verify the Cash and Bank Balances, including both written confirmation from the Company's banks and onsite checks from the bank staff and also periodic confirmations from banks. The Committee is satisfied the methods, procedures and steps taken by Mazars in the course of their audit.

Internal Audit

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

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

(iii) The AC annually reviews the adequacy of the internal auditors to ensure that the internal audits are performed effectively. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

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

(iv) The AC reviews and approves the annual internal audit plans and reviews the scope and results of the internal audit performed by the internal auditors at least twice a year to ensure that there is sufficient coverage of the Group's activities It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function

11. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

***Principle 11** : The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

***Principle 12**: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.*

(i) In compliance with the prevailing rules of the SGX-ST Listing Manual, all resolutions will be voted on by way of poll at general meetings held on and after 1 August 2015. This will entail shareholders being invited to vote on each of the resolutions by poll, using polling slips (instead of voting by hands), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution will then be screened at the meeting and announced to the SGX-ST after the meeting.

(ii) The Company regards its Annual General Meeting as an opportunity to communicate directly with shareholders and therefore encourages greater shareholder participation, whether in person or by proxy. The CEO and other Directors attend the Annual General Meetings and are available to answer questions and address concerns from shareholders.

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

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

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

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

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

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

   (a) annual reports that are prepared and issued to all shareholders within the mandatory period. Non-shareholders may access the SGX website for copies of the Company's annual reports;

   (b) quarterly and full yearly announcements of , and press briefings on, its financial statements via SGXNet;

   (c) other announcements via SGXNet;

   (d) media releases on major developments regarding the Company; and

   (e) notices of AGMs.

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

(x) 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.

(xi) 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 about the conduct of audit and the preparation and content of the auditors' report posed by the shareholders.

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

(xiii) 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.

(xiv) The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders and/or has specifically entrusted an investor relations team with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. The Company's investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

(xv) The Company maintains a current corporate website at http://www.ohwa.com.sg to communicate and engage with stakeholders.

(xvi) The Company considers the interests of its stakeholders, including employees, customers, and suppliers, with particular focus on providing a healthy and safe working environment for its employees, providing safe and reliable products to its customers, and ensuring fair dealings with its suppliers.

(xvii) The Company is conscious of its environmental impact and seeks to promote clean energy application in China.

Securities Transactions by Officers and Employees

In compliance with Rule 1207(19) of the SGX-ST Listing Manual on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company prohibits dealings in its shares by its officers and employees during the period commencing two (2) weeks before the announcement of the Company's results for each of the first three quarters of its financial year and the one (1) month before the announcement of the Company's full year results, or when they are in possession of unpublished price-sensitive information on the Group.

Interest Person Transactions ("IPTs")

The Group has established procedures to ensure that all IPTs are reported on a timely manner to the AC and are properly reviewed and approved and are conducted at arm's length basis, 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.

When a potential conflict of interest arises, the Director concerned shall not participate in discussions concerning the conflict of interest and refrain from exercising any influence over other members of the Board.
It is envisaged that the Group will, in the ordinary course of its business, continue to enter into 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 FY2019 is as follows:

Name of interested person	**Aggregate value of all interested person transactions for the financial period ended 31 December 2019 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)** **RMB'000**	**Aggregate value of all interested person transactions for the financial period ended 31 December 2019 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)** **RMB'000**	**Aggregate value of all interested person transactions for the financial period ended 31 December 2019 conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than $100,000)** **RMB'000**
Chaozhou Huafeng (Group) Incorporation Ltd			
• Lease of LPG transportation vehicles	-	4,211	4,211
• Purchase of LPG	-	229,607	229,607
Chaozhou Huaxin Energy Co.,Ltd			
• Purchase of LPG	-	133,560	133,560
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
• Sale of LPG	-	137,168	137,168
Chaozhou Huafeng Refining Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	-	2,312	2,312
Guangdong Huafeng Zhongtian LNG Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	-	3,429	3,429

12. MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiary, involving the interest of any Director or controlling shareholder subsisting at the end of FY2019 or if not then subsisting, entered into by the Company during the FY2019 or still subsisting as at 31 December 2019.

13. CORPORATE SOCIAL RESPONSIBILITY

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

Disclosure on Compliance with the Code of Corporate Governance 2018

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company did not disclose the exact details of the remuneration of each individual Director pursuant to 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 8(iv) of the Corporate Governance Report. (b) Save for the abovementioned deviation, the Company has complied with the rest of the principles and guidelines of the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) Not applicable.
Board Responsibility		
Guideline 1(iv)	What are the types of material transactions which require approval from the Board?	(c) Please refer to Principle 1(iv) of the Corporate Governance Report.
Members of the Board		
Guideline 2	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity	(a) The Board believes in having an appropriate balance and diversity of skills, experience, gender and knowledge. (b) The current composition of the Board comprises directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Group. The Directors also provide core competencies such as accounting or finance, business or management or legal experience, industry knowledge, strategic planning experience and customer-based experience or knowledge required for the Board to be effective. (c) The NC has put in place a formal and transparent process for all appointments to the Board. It has

Guideline	Questions	How the Company complied?
	necessary to maximize its effectiveness?	adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.
Guideline 4(v)	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 FY2019.
Guideline 1(xi) to (xiv)	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) No new Directors were appointed in FY2019. (b) Please refer to paragraph 1(iii) of Principle 1(xi) to (xiv) of the Corporate Governance Report.
Guideline 4(viii)	(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? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than five (5) companies. However, any Directors may hold more than five (5) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. (b) Not applicable. (c) For the re-appointment of Directors, their competencies as well as their commitment, contribution and performance (including attendance at meetings) during the financial year will be considered.
Board Evaluation		

Guideline	Questions	How the Company complied?
Guideline 5	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2(ii)	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 two (2) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least half of the Board be comprised of Independent Directors is satisfied (the Chairman and chief executive officer ("**CEO**") of the Company are assumed by the same person).
Guideline (iii)	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2(iv)	Has any independent director served on the Board for more than nine (9) years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Mr Tham Hock Chee has served on the Board since his initial appointment on 1 July 2010 and the NC has conducted a rigorous review on his independence.
Disclosure on Remuneration		
Guideline 8(ii)	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	Questions	How the Company complied?
Guideline 8(ii)	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Yes. (b) The annual aggregate remuneration paid to the top five (5) Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2019 is RMB 1,188,636.00. Please refer to Principle 9(ii) of the Corporate Governance Report.
Guideline 8(v)	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$100,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 8(iv)	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 8 of the Corporate Governance Report. (b) Please refer to Principle 8 of the Corporate Governance Report. (c) Yes.
Risk Management and Internal Controls		
Guideline 9	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 9 of the Corporate Governance Report.
Guideline 10	Does the Company have an internal audit function? If not, please explain why.	Yes. Please refer to Principle 10 of the Corporate Governance Report.

Guideline	Questions	How the Company complied?
Guideline 9(v)	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 9(v) of the Corporate Governance Report. (b) Yes.
Guideline 10(xi)	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The aggregate amount of audit fees amounted to approximately S$107,000.00. Please refer to Principle 10(xi) of the Corporate Governance Report. (b) Not applicable. The external auditors have not provided any non-audit services to the Company.
Communication with Shareholders		
Guideline 11	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) The Group's CEO and the Independent Directors are entrusted with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. (c) Please refer to Principle 11 of the Corporate Governance Report.

Guideline	Questions	How the Company complied?
	developments, apart from SGXNET announcements and the annual report?	
Guideline 11(xiv)	If the Company is not paying any dividends for the financial year, please explain why.	The Company did not pay any dividends in FY2019. 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.

The directors present their statement to the members together with the audited financial statements of the Ouhua Energy Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards; and

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

2. Directors

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

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

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

3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects was, 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, except as disclosed in paragraphs 4 below.

4. Directors' interests in shares or debentures

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

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the Register of the Directors shareholdings, the directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

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

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

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

6. Audit Committee

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

Gerald Yeo (Chairman)
Tham Hock Chee

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

The Audit Committee carried out its functions:

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

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

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

7. **Auditors**

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

On behalf of the directors

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

27 March 2020

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Ouhua Energy Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and Company as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Basis of Opinion

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

Overview

Audit Approach

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

Materiality

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

Scope of audit

For the audit of the current year's financial statements, we performed full scope audit of all 24 components as the appointed statutory auditors, and we identified 12 significant components, either because of their size or/and their risk characteristics.

Overview (Continued)

Areas of focus

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter 1	**Audit response**
Revenue Recognition **(Refer to Note 4 to the financial statements)** In consideration of the continued volatility in the oil and gas industry coupled with the voluminous transactions in the Group, there is a risk that revenue may be overstated. In addition, in accordance to ISA 240 "The Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements", there is a presumed fraud risk in revenue recognition and the presumption has not been rebutted.	Our audit procedures included, and were not limited to: - tested the design and implementation of the Group's relevant key controls over the revenue recognition; - performed test of controls which included testing the operating effectiveness of key controls over the revenue cycle; - performed analytical procedures, such as analysing the gross profit margins reported by the Group; - performed test of details which includes inspection of corresponding delivery documents; and - performed cut-off tests.

Key audit matter 2	**Audit response**
Existence of Cash and Bank Balances and Pledged Fixed Deposits **(Refer to Note 17 and Note 18 to the financial statements)** As at 31 December 2019, the Group reported cash and bank balances and pledged fixed deposits of approximately RMB 71.3 million and RMB 27.6 million which contributed to about 17% and 7% of the total current assets respectively. Accordingly, the existence of cash and bank balances was identified as an area of focus.	Our audit procedures included, and were not limited to: - performed all bank confirmations for bank balances (including in-person visits to banks and via courier service in the People's Republic of China ("PRC") ; - tested interbank transfers against underlying supporting documentation on a sample basis; - reviewed the year end bank reconciliations and tested the accuracy of the closing bank balances; - physically counted the cash on hand balances; and - circularised bank confirmations for certain active PRC banks at unpredictable dates.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's abilities to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Chan Hock Leong, Rick.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	4	3,158,212	2,717,343
Cost of sales		(3,065,625)	(2,630,616)
Gross profit		92,587	86,727
Other operating income	5	9,599	8,352
Selling and distribution expenses		(37,093)	(28,972)
Administrative expenses		(16,596)	(19,362)
Other operating expenses		(23,002)	(18,053)
Profit from operations		25,495	28,692
Finance costs	6	(10,780)	(8,093)
Profit before income tax expense	7	14,715	20,599
Income tax expense	9	-	-
Profit for the financial year		14,715	20,599
Other comprehensive loss:			
Components of other comprehensive loss that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation foreign operations		(33)	(1,902)
Total comprehensive income for the financial year		14,682	18,697
Earnings per share attributable to owners of the Company (RMB fen per share)			
Basic and diluted	10	3.84	5.37

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

Year ended 31 December 2019

	Note	Group 2019 RMB'000	Group 2018 RMB'000	Company 2019 RMB'000	Company 2018 RMB'000
Non-current assets					
Property, plant and equipment	11	153,644	140,389	7	7
Investments in subsidiaries	12	-	-	156,277	156,277
Total non-current assets		153,644	140,389	156,284	156,284
Current assets					
Inventories	13	152,201	58,576	-	-
Trade and other receivables	14	105,981	148,623	-	-
Due from a related party	15	57,181	58,019	68	69
Margin deposits	16	3,216	3,211	3,216	3,211
Pledged fixed deposits	17	27,593	22,870	-	-
Cash and cash equivalents	18	71,339	59,388	4,200	84
Total current assets		417,511	350,687	7,484	3,364
Total assets		571,155	491,076	163,768	159,648
Current liabilities					
Trade and other payables	19	227,491	151,372	3,920	4,008
Due to related parties	15	8,236	9,132	4,477	4,448
Due to a subsidiary	20	-	-	32,506	30,277
Due to a holding company	20	1,719	1,716	1,719	1,716
Bank borrowings	21	106,379	144,420	-	-
Lease liabilities	22	11,116	-	-	-
Income tax payable		2,765	2,317	-	-
Total current liabilities		357,706	308,957	42,622	40,449
Non-current liabilities					
Lease liabilities	22	16,648	-	-	-
Net assets		196,801	182,119	121,146	119,199
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	3,943	3,976	3,943	3,976
Accumulated losses		(102,590)	(117,305)	(162,583)	(164,563)
Total equity		196,801	182,119	121,146	119,199

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

	Share capital RMB'000	Shares premium RMB'000	Statutory reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2018	149,488	130,298	15,662	5,878	(137,904)	163,422
Profit for the financial year	-	-	-	-	20,599	20,599
Other comprehensive loss:						
Exchange differences on translating foreign operations	-	-	-	(1,902)	-	(1,902)
Total comprehensive (loss)/income for the financial year	-	-	-	(1,902)	20,599	18,697
Balance at 1 January 2019	149,488	130,298	15,662	3,976	(117,305)	182,119
Profit for the financial year	-	-	-	-	14,715	14,715
Other comprehensive loss:						
Exchange differences on translating foreign operations	-	-	-	(33)	-	(33)
Total comprehensive (loss)/income for the financial year	-	-	-	(33)	14,715	14,682
Balance at 31 December 2019	149,488	130,298	15,662	3,943	(102,590)	196,801

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 2019

	Note	2019 RMB'000	2018 RMB'000
Operating activities			
Profit before income tax expense		14,715	20,599
Adjustments for:			
Depreciation of property, plant and equipment	11	27,161	15,817
Interest income	5	(307)	(313)
Interest expense	6	10,780	8,093
Loss on written-off of property, plant and equipment	7	19	13
Gain on disposal of financial assets at fair value through profit or loss	5	-	(222)
Operating profit before movements in working capital		52,368	43,987
Changes in working capital			
Inventories		(93,625)	83,539
Trade and other receivables		42,642	(65,132)
Due from a related party		838	(6,903)
Margin deposits		-	(1,099)
Trade and other payables		76,567	(113,644)
Cash generated from/(used in) operations		78,790	(59,252)
Interest received		307	313
Net cash flows generated from/(used in) operating activities		79,097	(58,939)
Investing activities			
Purchase of property, plant and equipment [1]	11	(3,428)	(5,386)
Net cash flows used in investing activities		(3,428)	(5,386)
Financing activities			
Increase in pledged fixed deposits		(4,723)	(4,169)
Repayment (to)/from a related party		(867)	3,851
Proceeds from bank borrowings		1,122,028	1,131,314
Repayments of bank borrowings		(1,168,974)	(1,119,897)
Repayments of lease liabilities		(11,118)	-
Net cash (used in)/generated from financing activities		(63,654)	11,099
Net increase/(decrease) in cash and cash equivalents		12,015	(53,226)
Cash and cash equivalents at beginning of financial year		59,388	113,987
Effect of foreign exchange rate changes in cash and cash equivalents		(64)	(1,373)
Cash and cash equivalents at end of financial year	18	71,339	59,388

[1] During the financial year, the Group acquired property, plant and equipment with aggregate cost of RMB 13,665,000 (2018: RMB 5,386,000) of which RMB 10,237,000 (2018: Nil) was acquired by means of lease and RMB 3,428,000 (2018: RMB 5,386,000) by way of cash.

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

Reconciliation of assets/liabilities arising from financing activities

	1 January 2019 RMB'000	Financing cash inflows RMB'000	Financing cash outflows RMB'000	Non-cash movements: Acquisition RMB'000	Non-cash movements: Interest expense RMB'000	Non-cash movements: Foreign exchange movement RMB'000	31 December 2019 RMB'000
Liabilities							
Due to related parties	9,132	-	(867)	-	-	(29)	8,236
Due to a holding company	1,716	-	-	-	-	3	1,719
Bank borrowings	144,420	1,122,028	(1,168,974)	-	8,905	-	106,379
Lease liabilities	26,770	-	(11,118)	10,237	1,875	-	27,764
Assets							
Pledged fixed deposits	(22,870)	-	(4,723)	-	-	-	(27,593)

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

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

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

1. General

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

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

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

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

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors of the Company on the date of Directors' Statement.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the current financial year, the Group has adopted all the new and revised IFRS and IFRIC that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. Other than IFRS 16 *Leases* ("IFRS 16"), the adoption of these new/revised IFRS and IFRIC did not result in changes to the Group's and Company's accounting policies and has no material effect on the current or prior year and is not expected to have a material effect on future periods. The effects of adopting IFRS 16 is disclosed in Note 33.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

IAS, IFRS and IFRIC issued but not effective

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

		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business	1 January 2020
IAS 1, 8	Definition of Material	1 January 2020
IFRS 7	Interest rate benchmark reform	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

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

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

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

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

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

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

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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 ("IAS 39")* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

2.3 Revenue recognition

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

Sale of goods

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

Rendering services

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

2. Summary of significant accounting policies (Continued)

2.4 Borrowing costs

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

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

2.5 Employee benefits

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

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

2.6 Income taxes

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.6 Income taxes (Continued)

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

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

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

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

2.7 Foreign currency transaction and translation

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

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

For the purpose of presenting financial statements, the assets and liabilities of the Group's and the Company's operations (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

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

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 22.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

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

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

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

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

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

2.9 Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial 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. Summary of significant accounting policies (Continued)

2.10 Financial instruments

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

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.

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

Financial assets

Initial recognition and measurement

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost

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

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

Financial assets held at FVTOCI

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

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

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

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

Financial assets at FVTPL

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

Gains or losses are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

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

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

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 29.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Ordinary share capital

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

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

Borrowings

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

Derecognition of financial liabilities

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

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to commodity price risk, comprising commodity forward contract.

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.11 Inventories

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

2.12 Margin deposits

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

2.13 Cash and cash equivalents

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

2.14 Leases

The Group applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Accordingly, the comparative information was prepared and disclosures made in accordance with the requirements of IAS 17 *Leases* (“IAS 17”) and IFRIC 4 *Determining whether an Arrangement contains a lease* (“IFRIC 4”).

The Group as a lessee from 1 January 2019

These accounting policies are applied on and after the initial application date of IFRS 16 (i.e. 1 January 2019).

At inception of a contract, the Group assessed whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under IFRS 16. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. When the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. The right-of-use asset is also reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, where applicable.

Right-of-use assets are presented within “property, plant and equipment”.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate.

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased

The lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

The Group as a lessee from 1 January 2019 (Continued)

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset is reduced to zero.

The Group as a lessee before 1 January 2019

Operating leases

Lessee

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lessor

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

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2. Summary of significant accounting policies (Continued)

2.15 Provisions (Continued)

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

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

2.16 Government subsidies

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

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical judgements in applying the entity's accounting policies

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

(i) Determination of functional currency

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

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

3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Measurement of ECL of trade receivables

The Group uses an allowance matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the customers, for the last 3 years prior to the reporting date for various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 31 December 2019 is RMB 899,000 (2018: RMB 899,000) (Note 29).

(ii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments in subsidiaries are impaired. Where necessary, the Company's assessments are based on the fair value less cost to sell of the assets. The Company's carrying amount of investments in subsidiaries as at 31 December 2019 was RMB 156,277,000 (2018: RMB 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 amount of the Group's property, plant and equipment as at 31 December 2019 was RMB 153,644,000 (2018: RMB 140,389,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2019 was RMB 153,644,000 (2018: RMB 140,389,000).

(v) Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2019 was RMB 152,201,000 (2018: RMB 58,576,000).

(vi) Provision for income taxes

The Group mainly has exposure to income taxes in PRC. Due to its inherent nature, judgement is involved in determining the Group's provisions for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payables as at 31 December 2019 was RMB 2,765,000 (2018: RMB 2,317,000).

4. Revenue

	Group 2019 RMB'000	Group 2018 RMB'000
Sale of goods		
- Liquefied petroleum gas ("LPG")	2,911,275	2,601,856
- Propane ("C3")	99,319	41,568
- Butane ("C4")	147,618	73,919
	3,158,212	2,717,343

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

	LPG		C3		C4		Total	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Geographical markets[a]								
PRC	2,911,275	2,601,856	-	-	-	-	2,911,275	2,601,856
Asia Pacific	-	-	99,319	41,568	147,618	73,919	246,937	115,487
	2,911,275	2,601,856	99,319	41,568	147,618	73,919	3,158,212	2,717,343

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

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

Contract balances

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

	Group 2019 RMB'000	Group 2018 RMB'000
Contract liabilities (Note 19)	(33,469)	(33,212)

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

	Group 2019 RMB'000	Group 2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	33,212	17,811
Increases due to cash received, excluding amounts recognised as revenue during the year	(33,469)	(33,212)

5. Other operating income

	Group	
	2019 RMB'000	2018 RMB'000
Tug boat service	1,003	807
Interest income from fixed deposits	307	313
Subsidies from government*	44	1,020
Vessel rental income	3,896	4,078
Gain on disposal of financial assets at fair value through profit or loss	-	222
Gain on derivative financial instruments#	4,002	-
Liquidated damage claim	-	1,768
Others	347	144
	9,599	8,352

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

During the financial year, the Group entered into commodity forward contracts with a third party. The commodity forward contracts had been settled on 20 December 2019. There is no existing derivative financial instruments as of 31 December 2019.

6. Finance costs

	Group	
	2019 RMB'000	2018 RMB'000
Interest expenses on bank borrowings	8,905	6,380
Interest expenses on leases	1,875	1,713
	10,780	8,093

7. Profit before income tax expense

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

	Group	
	2019 RMB'000	2018 RMB'000
Foreign exchange loss - net	12,961	8,793
Audit fees paid to auditors		
- Auditors of the Company	535	529
- Other auditors	277	277
Operating lease expenses	-	7,140
Depreciation of property, plant and equipment (Note 11)	27,161	15,817
Employee benefit costs (Note 8)	13,157	12,351
Marine freight	23,082	16,130
Loss on disposal of property, plant and equipment	19	13

8. Employee benefits costs

	Group 2019 RMB'000	Group 2018 RMB'000
Salaries, bonuses and allowances	10,799	10,423
Other staff benefits	999	845
Contribution to retirement benefits schemes	1,359	1,083
	13,157	12,351

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

9. Income tax expense

	Group 2019 RMB'000	Group 2018 RMB'000
Current tax	-	-
Reconciliation of effective tax rate is as follows:		
Profit before income tax expense	14,715	20,599
Tax calculated at applicable PRC tax rate of 25% (2018: 25%)	3,679	5,150
Tax effect of non-deductible items	6,293	4,131
Utilisation of deferred tax asset previously not recognised arising from tax losses	(9,972)	(9,281)
Income tax expense	-	-

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

At the reporting date, the subsidiary of the Group has unutilised tax losses amounting to RMB nil (2018: RMB 67,219,000) 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 year from the year it arose. This is the last year the Group can utilise the unutilised losses. In prior year, deferred tax assets are not recognised due to uncertainty of its recoverability.

9. Income tax expense (Continued)

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. Earnings per share

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

	2019	2018
Profit attributed to equity holders (RMB'000)	14,715	20,599
Weighted average number of ordinary shares ('000)	383,288	383,288
Basic and diluted earnings per share (RMB fen)	3.84	5.37

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

There is no dilutive potential ordinary share during the financial years 2019 and 2018.

11. Property, plant and equipment

Group	Buildings and storage RMB'000	Vessel RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Right-of-use RMB'000	Total RMB'000
Cost								
Balance at 1 January 2019	184,749	115,000	18,391	4,354	2,326	10,323	-	335,143
Recognition of right-of-use assets on initial application of IFRS 16 (Note 33)	-	-	-	-	-	-	26,770	26,770
Adjusted balance at 1 January 2019	184,749	115,000	18,391	4,354	2,326	10,323	26,770	361,913
Additions	-	-	319	43	54	3,012	10,237	13,665
Reclassification	(575)	-	-	-	-	575	-	-
Written off	-	-	(45)	-	-	-	-	(45)
Balance at 31 December 2019	184,174	115,000	18,665	4,397	2,380	13,910	37,007	375,533
Accumulated depreciation								
Balance at 1 January 2019	121,054	40,158	17,737	2,403	1,598	6,828	-	189,778
Charged for the financial year	7,817	5,245	302	376	235	3,198	9,988	27,161
Written off	-	-	(26)	-	-	-	-	(26)
Balance at 31 December 2019	128,871	45,403	18,013	2,779	1,833	10,026	9,988	216,913
Accumulated impairment losses								
Balance as at 1 January / 31 December 2019	-	4,976	-	-	-	-	-	4,976
Carrying amount								
At 31 December 2019	55,303	64,621	652	1,618	547	3,884	27,019	153,644

11. Property, plant and equipment (Continued)

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

* Less than RMB1,000

11. Property, plant and equipment (Continued)

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

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

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

Property, plant and equipment includes right-of-use assets with carrying amount of RMB 27,019,000. Details of right-of-use assets are disclosed in Note 22.

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

12. Investments in subsidiaries

	Company	
	2019	**2018**
	RMB'000	**RMB'000**
Unquoted equity investment, at cost	221,417	221,417
Less: Allowance for impairment	(65,140)	(65,140)
	156,277	156,277

Details of the subsidiaries are as follow:

Name of subsidiary/ (Principal place of business)	Registered capital	Effective equity held by the Group 2019	2018	Principal activities
Chaozhou Ouhua Energy Co., Ltd [(1)] (PRC)	RMB221,416,000	100%	100%	Import, processing and wholesale of liquefied petroleum gas
Ouhua Energy (Singapore) Pte. Ltd. [(2)] (Singapore)	S$100	100%	100%	Dormant

(1) Audited by an overseas fellow member firm of Mazars LLP for consolidation purpose.
(2) Audited by Mazars LLP, Singapore.

13. Inventories

	Group 2019 RMB'000	Group 2018 RMB'000
Raw materials	145,615	53,077
Finished goods	6,586	5,499
	152,201	58,576

Cost of inventories recognised in cost of sales amounted to approximately RMB 2,730,166 (2018: RMB 2,596,637,000) during the financial year.

14. Trade and other receivables

	Group 2019 RMB'000	Group 2018 RMB'000
Trade receivables – third parties	18,184	25,086
Less: loss allowance (Note 29)	(899)	(899)
	17,285	24,187
Prepayments	290	277
Advances to suppliers	86,012	121,987
Value added tax receivable, net	1,107	-
Staff advances	525	591
Others	994	1,813
Less: loss allowance	(232)	(232)
Total trade and other receivables	105,981	148,623

Trade receivables from third parties, arising from the Group's contract with its customers, are non-interest bearing and are generally on credit term of 10 days (2018: 10 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition.

The details of the impairment of trade receivables and credit exposures are disclosed in Note 29.

15. Due from/to related parties

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Due from a related party				
Trade	56,439	58,019	-	-
Non-trade	742	-	68	69
	57,181	58,019	68	69
Due to related parties				
Non-trade	8,236	9,132	4,477	4,448

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

16. Margin deposits

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

The carrying amounts of margin deposits approximate their fair values.

17. Pledged fixed deposits

Fixed deposits at the end of the financial year have an average maturity period of 3 months (2018: 3 months) from the end of the financial year.

Fixed deposits are pledged with financial institutions as security for banking facilities granted to the Group. The effective interest rate for those fixed deposits are at 0.30% (2018: 0.30%) per annum. The carrying amounts of pledged fixed deposits approximate their fair values.

18. Cash and cash equivalents

	Group		Company	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash balances	1,483	2,246	-	-
Bank balances	69,856	57,142	4,200	84
	71,339	59,388	4,200	84

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

As at 31 December 2019, the Group has cash and cash equivalents placed with banks in the PRC amounting to RMB 69,856,000 (2018: RMB 57,142,000). 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.

19. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	181,304	89,876	-	-
Accrued expenses	4,932	5,664	1,347	1,432
Interest payable	260	318	-	-
Value added tax payable, net	-	14,824	-	-
Contract liabilities	33,469	33,212	-	-
Due to a director	2,552	2,548	2,552	2,548
Others	4,974	4,930	21	28
Total trade and other payables	227,491	151,372	3,920	4,008
Add: Due to a related party	8,236	9,132	4,477	4,448
Add: Due to a subsidiary	-	-	32,506	30,277
Add: Due to holding company	1,719	1,716	1,719	1,716
Less: Contract liabilities	(33,469)	(33,212)	-	-
Total other financial liabilities at amortised cost	203,977	129,008	42,622	40,449

Trade payables are non-interest bearing and are normally settled on 30 days (2018: 30 days) terms while other payables have an average term of 10 days (2018: 10 days).

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

Contract liabilities relate to advances from customers. A contract liability is recognised for the advances received from customers and is derecognised as and when the performance obligation is met.

20. Due to a subsidiary and holding company

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

21. Bank borrowings

	Group	
	2019	2018
	RMB'000	RMB'000
Trust receipts	106,379	144,420

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

The average effective borrowing rates for trust receipts range between 3.50% (2018: 4.72%) and 6.50% (2018: 4.99%).

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

22. The Group as a lessee

The Group leases office premises, land and vessel for 1 to 30 years. Previously, these leases were classified as operating lease under IAS 17.

The Group leases port terminals for 6 to 10 years. Previously, these leases were classified as operating lease under IAS 17. The Group is restricted from entering any sublease arrangement for these leases.

Extension options

The Group has several lease contracts with extension options exercisable by the Group up to 3 months before the end of the non-cancellable contract period. These extension options are exercisable by the Group and not by the lessors. The extension options are used by the Group to provide operation flexibility in terms of managing the assets used in the Group's operation.

22(a) Right-of-use assets

The carrying amount of right-of-use assets by class of underlying asset classified within property, plant and equipment as follows:

	Office premises and land RMB'000	Port terminals RMB'000	Vessel RMB'000	Total RMB'000
Group				
At 1 January 2019	4,337	22,433	-	26,770
Additions	-	-	10,237	10,237
Depreciation	(1,250)	(4,351)	(4,387)	(9,988)
At 31 December 2019	3,087	18,082	5,850	27,019

The total cash outflow for leases during the financial year ended 31 December 2019 is RMB 11,118,000.

22(b) Lease liabilities – 2019

	Group 2018 RMB'000
Lease liabilities- non-current	16,648
Lease liabilities - current	11,116
	27,764

The maturity analysis of lease liabilities is disclosed in Note 29.

22(c) Amounts recognised in profit or loss

	Group 2019 RMB'000
Interest expense on lease liabilities	1,875

23. Share capital

	Group and Company					
	2019	2018	2019		2018	
	No. of ordinary shares ‘000	‘000	USD’000	RMB’000	USD’000	RMB’000
Authorised (of USD0.05 each)	1,000,000	1,000,000	50,000	390,000	50,000	390,000
Issued and fully paid At 1 January and 31 December	383,288	383,288	19,164	149,488	19,164	149,488

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

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

24. Share premium

	Group and Company			
	2019		2018	
	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 USD 0.05.

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 2019 and 2018 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

In the financial year ended 31 December 2018, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of port terminals, office premises and land as follows:

	Group 2018 RMB'000
Within one year	6,549
After one financial year but not later than five years	21,968
After five years	3,746
	32,263

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

The Company's subsidiary, Chaozhou Ouhua Energy Co., Ltd, leases port terminals, office premises and land 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.

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);
  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

28. Significant related party transactions (Continued)

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

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

(a) Sale and purchases of goods and services

	Group	
	2019 **RMB'000**	**2018** **RMB'000**
Revenue		
Sale of LPG to a related party	137,168	181,269
Expenses		
Lease of port terminals, land use rights, office premises and staff dormitory paid to related parties	(5,741)	(6,957)
LPG transportation vehicles rental paid to related party	(4,520)	(4,802)
Petrol for car usage paid to a related party	(50)	(43)

(b) Compensation of key management personnel

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

	Group	
	2019 **RMB'000**	**2018** **RMB'000**
Directors' fees	428	596
Director's salaries	878	840
Post-employment benefits	62	42
	1,368	1,478

29. Financial instruments and financial risk

Financial instruments by category

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

	Note	Group 2019 RMB'000	Group 2018 RMB'000
Financial assets at amortised cost			
Trade receivables – third parties	14	17,285	24,187
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	14	1,287	2,172
Due from a related party	15	57,181	58,019
Margin deposits	16	3,216	3,211
Pledged fixed deposits	17	27,593	22,870
Cash and cash equivalents	18	71,339	59,388
		177,901	169,847
Financial liabilities at amortised cost			
Trade payables	19	181,304	89,876
Other payables *(excluding VAT tax payables and advance from customers)*	19	12,718	13,460
Due to a related party	15	8,236	9,132
Due to a holding company	20	1,719	1,716
Bank borrowings	21	106,379	144,420
Lease liabilities	22	27,764	-
		338,120	258,604

	Note	Company 2019 RMB'000	Company 2018 RMB'000
Financial assets at amortised cost			
Cash and cash equivalents	18	4,200	84
Due from a related party	15	68	69
Margin deposits	16	3,216	3,211
		7,484	3,364
Financial liabilities at amortised cost			
Trade and other payables	19	3,920	4,008
Due to related parties	15	4,477	4,448
Due to a subsidiary	20	32,506	30,277
Due to a holding company	20	1,719	1,716
		42,622	40,449

The Group's activities expose it to credit risk, liquidity risk, and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

29. Financial instruments and financial risk (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of their counterparties' financial condition. The Group does not hold any collateral as security over their customers.

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

As at 31 December 2019 and 2018, substantially all the margin deposits, pledged fixed deposits and cash and cash equivalents as detailed in Notes 16, 17 and 18 respectively, are held in major financial institutions which are regulated and located in the PRC, which management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

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

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

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

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

Category	Description	Basis of recognising ECL
1	Low credit risks(Note1)	12-months ECL
2	Non-significant increase in credit risks since initial recognition and financial asset is ⩽ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition(Note 2) or financial asset is > 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired(Note 3)	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount (Note 4)	Written-off

Note 1. Low credit risk

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

29. Financial instruments and financial risk (Continued)

Credit risk (Continued)

Note 2. Significant increase in credit risk

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

Note 3. Credit impaired

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

- Significant financial difficulty of the debtor;
- Breach of contract; such as default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

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

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

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

At the reporting date, the Company's trade receivables comprise 1 customer (2018: 1 customer), a related party of the Company, that individually represented more than 76% (2018: 70%) of the carrying amount of total trade receivables. The Company's primary exposure to credit risk arises relating to trade receivables and is limited due to the Company's many varied customers. These customers are engaged in a wide spectrum of industries.

29. Financial instruments and financial risk (Continued)

Credit risk (Continued)

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

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

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

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

The loss allowance for trade receivables are determined as follows:

		Past due				
	Current	1 to 30 days	31 – 60 days	61 – 90 days	More than 90 days	Total
31 December 2019						
Expected credit loss rates	0%	0%	0%	0%	91.9%	
Trade receivables (gross) – third parties	17,181	-	-	25	978	18,184
Trade receivables (gross) – related parties	21,092	17,959	14,276	3,112	-	56,439
Loss allowance (including credit impaired)	-	-	-	-	899	899
31 December 2018						
Expected credit loss rates	0%	0%	0%	0%	91.9%	
Trade receivables (gross) – third parties	24,108	-	-	-	978	25,086
Trade receivables (gross) – related parties	20,133	13,175	19,972	4,739	-	58,019
Loss allowance (including credit impaired)	-	-	-	-	899	899

As of 31 December 2019, the Group recorded trade amount due from a related party of RMB 56,439,000 (2018: RMB 58,019,000). The Group assessed the latest performance and financial position of the related party, adjusted for the future outlook of the industry which the related party operates in and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial asset. Accordingly, the Group determined that the ECL is insignificant.

29. Financial instruments and financial risk (Continued)

Credit risk (Continued)

The movement in the loss allowance during the financial year and the Group's exposure to credit risk in respect of the trade receivables, amount due from a related party and other receivables is as follows:

Internal credit risk grading	Trade receivables – third parties			Amount due from a related party			Other receivables		
	Note (i) RMB'000	Category 4 RMB'000	Total RMB'000	Note (i) RMB'000	Category 1 RMB'000	Total RMB'000	Category 1 RMB'000	Category 4 RMB'000	Total RMB'000
Loss allowance									
At 1 January 2019 and 31 December 2019	-	899	899	-	-	-	-	232	232
Gross carrying amount									
At 1 January 2019	24,187	899	25,086	58,019	-	58,019	2,172	232	2,404
At 31 December 2019	17,285	899	18,184	56,439	742	57,181	1,287	232	1,519
Net carrying amount									
At 1 January 2019	24,187	-	24,187	58,019	-	58,019	2,172	-	2,172
At 31 December 2019	17,285	-	17,285	56,439	742	57,181	1,287	-	1,287

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

29. Financial instruments and financial risk (Continued)

Liquidity risk

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

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

	Group				
Group	**Effective interest rate %**	**Less than 1 year RMB'000**	**2 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Undiscounted financial assets					
Trade receivables – third parties	-	17,285	-	-	17,285
Other receivables *(excluding prepayment, advance to suppliers and tax receivables)*	-	1,287	-	-	1,287
Due from a related party	-	57,181	-	-	57,181
Margin deposits	-	3,216	-	-	3,216
Pledged fixed deposits	0.3%	27,676	-	-	27,676
Cash and cash equivalents	-	71,339	-	-	71,339
As at 31 December 2019		177,984	-	-	177,984
Trade receivables – third parties	-	24,187	-	-	24,187
Other receivables *(excluding prepayment, advance to suppliers and tax receivables)*	-	2,172	-	-	2,172
Due from a related party	-	58,019	-	-	58,019
Margin deposits	-	3,211	-	-	3,211
Pledged fixed deposits	0.3%	22,870	-	-	22,870
Cash and cash equivalents	-	59,388	-	-	59,388
As at 31 December 2018		169,847	-	-	169,847
Undiscounted financial liabilities					
Trade payables	-	181,304	-	-	181,304
Other payables *(excluding VAT tax payables and advance from customers)*	-	12,718	-	-	12,718
Due to related parties	-	8,236	-	-	8,236
Due to holding company	-	1,719	-	-	1,719
Bank borrowings, fixed interest rates	3.50 - 6.50	106,479	-	-	106,479
Lease liabilities	6.40 - 6.55	12,531	17,594	1,569	31,694
As at 31 December 2019		322,987	17,594	1,569	342,150
Trade payables	-	89,876	-	-	89,876
Other payables *(excluding VAT tax payables and advance from customers)*	-	13,460	-	-	13,460
Due to related parties	-	9,132	-	-	9,132
Due to holding company	-	1,716	-	-	1,716
Bank borrowings, fixed interest rates	2.90 – 6.00	150,847	-	-	150,847
As at 31 December 2018		265,031	-	-	265,031
Total undiscounted net financial liabilities - at 31 December 2019		(145,003)	(17,594)	(1,569)	(164,166)
- at 31 December 2018		(95,184)	-	-	(95,184)

29. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

	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	-	4,200	-	4,200
Margin deposits	-	3,216	-	3,216
Due from a related party	-	68	-	68
As at 31 December 2019	-	7,484	-	7,484
Cash and cash equivalents	-	84	-	84
Margin deposits	-	3,211	-	3,211
Due from a related party	-	69	-	69
As at 31 December 2018	-	3,364	-	3,364
Undiscounted financial liabilities				
Trade and other payables	-	3,920	-	3,920
Due to related parties	-	4,477	-	4,477
Due to a subsidiary	-	32,506	-	32,506
Due to holding company	-	1,719	-	1,719
As at 31 December 2019	-	42,622	-	42,622
Trade and other payables	-	4,008	-	4,008
Due to related parties	-	4,448	-	4,448
Due to a subsidiary	-	30,277	-	30,277
Due to holding company	-	1,716	-	1,716
As at 31 December 2018	-	40,449	-	40,449
Total undiscounted net financial liabilities				
- At 31 December 2019		(35,138)	-	(35,138)
- At 31 December 2018		(37,085)	-	(37,085)

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.

29. Financial instruments and financial risks (Continued)

Market risk (Continued)

Interest rate sensitivity analysis

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

	Group			
	Consolidated profit or loss		Other component of equity	
	10% increase RMB'000	10% decrease RMB'000	10% increase RMB'000	10% decrease RMB'000
As at 31 December 2019				
Bank borrowings	(99)	99	-	-
As at 31 December 2018				
Bank borrowings	(36)	36	-	-

The Company has no significant exposure to interest rate risk.

Foreign currency risk

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

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

Group **2019**	**USD** **RMB'000**	**RMB** **RMB'000**	**SGD** **RMB'000**	**Total** **RMB'000**
Financial assets				
Trade receivables – third parties	-	17,285	-	17,285
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	-	1,287	-	1,287
Due from a related party	-	57,181	-	57,181
Margin deposits	3,216	-	-	3,216
Pledged fixed deposits	-	27,593	-	27,593
Cash and cash equivalents	4,507	66,832	*	71,339
	7,723	170,178	-	177,901
Financial liabilities				
Trade payables	181,304	-	-	181,304
Other payables *(excluding VAT tax payables and advance from customers)*	-	8,798	3,920	12,718
Due to related parties	4,477	3,759	-	8,236
Due to a holding company	1,719	-	-	1,719
Bank borrowings	106,379	-	-	106,379
Lease liabilities	-	27,764	-	27,764
	293,879	40,321	3,920	338,120
Net financial (liabilities)/assets	(286,156)	129,857	(3,920)	(160,219)
Less: Net liabilities/(assets) denominated in respective entities functional currency	(1,082)	(129,857)	-	(130,939)
Currency exposure	(287,238)	-	(3,920)	(291,158)

* less than RMB 1,000

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Group 2018	**USD** RMB'000	**RMB** RMB'000	**SGD** RMB'000	**Total** RMB'000
Financial assets				
Trade receivables – third parties	-	24,187	-	24,187
Other receivables *(excluding prepayment, advance to suppliers and VAT tax receivables)*	-	2,172	-	2,172
Due from a related party	-	58,019	-	58,019
Margin deposits	3,211	-	-	3,211
Pledged fixed deposits	-	22,870	-	22,870
Cash and cash equivalents	1,747	57,634	7	59,388
	4,958	164,882	7	169,847
Financial liabilities				
Trade payables	89,876	-	-	89,876
Other payables *(excluding VAT tax payables and advance from customers)*	-	9,452	4,008	13,460
Due to related parties	4,448	4,684	-	9,132
Due to a holding company	1,716	-	-	1,716
Bank borrowings	144,420	-	-	144,420
	240,460	14,136	4,008	258,604
Net financial (liabilities)/assets	(235,502)	150,746	(4,001)	(88,757)
Less: Net liabilities/(assets) denominated in respective entities functional currency	2,902	(150,746)	-	(147,844)
Currency exposure	(232,600)	-	(4,001)	236,601

Company 2019	**USD** RMB'000	**RMB** RMB'000	**SGD** RMB'000	**Total** RMB'000
Financial assets				
Due from a related party	-	68	-	68
Cash and cash equivalents	4,062	138	*	4,200
Margin deposits	3,216	-	-	3,216
	7,278	206	*	7,484
Financial liabilities				
Trade and other payables	-	-	3,920	3,920
Due to a subsidiary	-	32,506	-	32,506
Due to a related party	4,477	-	-	4,477
Due to holding company	1,719	-	-	1,719
	6,196	32,506	3,920	42,622
Net financial liabilities	1,082	(32,300)	(3,920)	(35,138)
Less: Net liabilities denominated in functional currency	(1,082)	-	-	(1,082)
Currency exposure	-	(32,300)	(3,920)	(36,220)

* less than RMB1,000

29. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

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

Foreign currency sensitivity analysis

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

	Group			
	Consolidated profit or loss		**Other component or equity**	
	2019 RMB'000	**2018** RMB'000	**2019** RMB'000	**2018** RMB'000
As at 31 December				
USD	(28,724)	(23,260)	(28,724)	(23,260)
SGD	(392)	(400)	(392)	(400)

30. Fair value of assets and liabilities

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

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 21 and equity attributable to equity holders of the Company, comprising share capital, share premium, statutory reserve, foreign currency translation reserve, and accumulated losses as disclosed in consolidated statement of financial position.

31. Capital management policies and objectives (Continued)

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

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

As disclosed in Note 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 debt-equity ratios as at 31 December 2019 and 2018 were as follows:

	Group	
	2019	2018
	RMB'000	RMB'000
Total liabilities	357,706	308,957
Equity	196,801	182,119
Debt to equity ratio	1.82	1.70

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

The Group's overall strategy remains unchanged from 2018.

32. Segment reporting

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

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

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

Distribution of total sales by geographical markets:

	Group	
	2019	2018
	RMB'000	RMB'000
PRC	2,911,275	2,601,856
Asia Pacific	246,937	115,487
	3,158,212	2,717,343

Major customers

The revenues from one customer, which is a related party, of the Group's trading segment represent approximately RMB 137,168,000 (2018: RMB 181,269,000).

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

33. Initial application of IFRS 16 Leases

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring a lessee to adopt a single model for lessee accounting. Lessees are required, with the exception of short- term leases and leases of low value assets, to recognise at initial recognition, lease liability and right-of-use asset for a contract which is or contains a lease.

Lessor accounting under IFRS 16 remains unchanged from IAS 17. Therefore, there is no impact to the Group as a lessor.

The details of the accounting policies under IFRS 16 and IAS 17 are disclosed in Note 2.14.

The Group applied IFRS 16 using the modified retrospective approach and recognised the cumulative effect of initial application on 1 January 2019, being the date of initial application of IFRS 16. Accordingly, the comparative information presented were not restated and is presented as previously reported under IAS 17 and its related interpretations.

Practical expedients applied

The Group applied the following practical expedients when applying IFRS 16 for the first time.

- Not to reassess whether a contract is, or contains, a lease at 1 January 2019 and instead relied on the assessment previously made using IAS 17 and IFRIC 4;
- Use of hindsight for contracts which contain an option to extend or terminate a lease.

Leases classified as operating leases under IAS 17

The Group previously classified its office premises, land, and port terminals as operating leases under IAS 17. Under IFRS 16, the Group recognised, for each lease,

(a) a lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019; and
(b) a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

In the determination of lease liabilities, the Group applied the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Following the recognition of the right-of-use assets, the Group tested the right-of-use assets on 1 January 2019 for impairment and concluded that the right-of-use assets show no indication of impairment.

The effects of adopting IFRS 16 at 1 January 2019 is summarised as follows:

	31 December 2018	Initial adoption of IFRS 16 adjustments	1 January 2019
	IAS 17 RMB'000	RMB'000	IFRS 16 RMB'000
Property, plant and equipment	-	26,770	26,770
Lease liabilities (short term)	-	(4,945)	(4,945)
Lease liabilities (long term)	-	(21,825)	(21,825)

33. Initial application of IFRS 16 Leases (Continued)

The Group uses incremental borrowing rates at 1 January 2019 to discount the remaining lease payments at 1 January 2019 when measuring the lease liabilities. The weighted-average incremental borrowing rate applied by the Group at 1 January 2019 is 6.49%.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitment as at 31 December 2018 as follows:

	At 1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 under IAS 17 as disclosed in the Group's consolidated financial statements	32,263
Discounted using the incremental borrowing rate at 1 January 2019	26,770
Lease liabilities at 1 January 2019	26,770

34. Event subsequent to the reporting date

The unexpected advent of novel coronavirus ("COVID-19") in early 2020 halts social and economic development throughout PRC, which also almost causes the stagnation of economic activities. Since then, the epidemic has gradually spread globally. The raging epidemic caused a significant decline in the overall economy, with lower demand and greatly damaged supply chain. Currently, the epidemic is gradually brought under control in PRC, evidenced by resumed operating activities in companies, as well as recovering market demand and supply chain. In this view, the Group is mainly exposed to impacts during the first quarter of 2020 because of the postponement of work resumption after the Chinese New Year holiday. At the date of this financial statements, the Group has gradually resumed the operating activities. The Group will keep a close track of the epidemic development and give all-out efforts to recover as soon as normal market activities are restored.

STATISTICS OF **SHAREHOLDINGS**

As at 27 March 2020

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.05	20	0.00
100 - 1,000	54	2.91	52,300	0.01
1,001 - 10,000	803	43.29	5,800,500	1.51
10,001 - 1,000,000	976	52.62	60,391,100	15.76
1,000,001 and above	21	1.13	317,044,080	82.72
Total	**1,855**	**100.00**	**383,288,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Liang Guo Zhan[(1)]	22,974,000	5.99	220,914,000	57.64
High Tree Worldwide Ltd.	220,914,000	57.64	-	-

Note:-

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

TWENTY LARGEST SHAREHOLDERS
As at 27 March 2020

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	245,874,780	64.15
2	LIANG GUO ZHAN	22,974,000	5.99
3	XU RIZHAO	9,243,000	2.41
4	TANG YUAN BO	7,792,000	2.03
5	PHILLIP SECURITIES PTE LTD	6,416,000	1.67
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,227,000	1.10
7	CHAN KHENG ANN	2,000,000	0.52
8	LI KUN	1,791,000	0.47
9	KALINAR INVESTMENTS PTE LTD	1,700,000	0.44
10	CHEN ZEFENG	1,641,000	0.43
11	GAN TIAM SIANG	1,527,500	0.40
12	RHB SECURITIES SINGAPORE PTE LTD	1,408,000	0.37
13	QUEK KWANG HOK	1,380,200	0.36
14	UOB KAY HIAN PTE LTD	1,313,000	0.34
15	RAFFLES NOMINEES (PTE) LIMITED	1,217,000	0.32
16	KIM SENG HOLDINGS PTE LTD	1,190,000	0.31
17	TAN ENG CHUA EDWIN	1,114,000	0.29
18	LIM KHENG MOH	1,108,600	0.29
19	DBS NOMINEES PTE LTD	1,060,000	0.28
20	LEE LENG LOKE	1,053,000	0.27
	TOTAL:	**316,030,080**	**82.44**

FREE FLOAT

Based on the information provided to the Company as at 27 March 2020, 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 IS HEREBY GIVEN that the Annual General Meeting of OUHUA ENERGY HOLDINGS LIMITED (the "Company") will be held via "live" webcast on Thursday, 30 April 2019 at 10 a.m., and at any adjournment thereof (the "Annual General Meeting") for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2019 together with the report of the Auditors and Directors' Statement.
(Resolution 1)

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

   Mr Ye Tian Shun (Bye-Law 104) **(Resolution 2)**

   Mr Tham Hock Chee (Bye-Law 104) **(Resolution 3)**

   [See Explanatory Note 1]

3. To appoint Ms Liang Yaling as a Director pursuant to Bye-Law 107(A) of the Company.
(Resolution 4)
   [See Explanatory Note 2]

4. To approve the payment of Directors' fees of S$119,000 for the financial year ended 31 December 2019. **(Resolution 5)**

5. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS:-

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

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

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

   provided that:-

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

be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

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

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

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

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

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

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

[see Explanatory Note 4] **(Resolution 8)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary
Singapore
8 April 2020

EXPLANATORY NOTES:

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

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

(2) Ms Liang Yaling will, upon appointment, be a non-executive and non-independent Director, and be a member of the Nominating Committee, Remuneration Committee, and Audit Committee.

(3) Ordinary Resolution 7 proposed in item 7 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.

(4) Ordinary Resolution 8 proposed in item 8 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) The Company invites all shareholders to submit any questions they may have via email to the Company's investor relations email, sr@ohwa.cn, before the Annual General Meeting or during the Annual General Meeting. The Company shall publicly address substantial queries received from shareholders via the Company's website, through the "live" webcast, and on SGXNet.

(ii) The Company shall be providing the link to the "live" webcast to each shareholder who submits a valid webcast attendance form. Non-SRS holders whose shares are registered under a Depository Agent must approach their respective Depository Agent to indicate their interest in participating in the "live" webcast and should not submit the webcast attendance form.

(iii) Pursuant to the joint statement released by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulations on 31 March 2020, shareholders must appoint the chairperson of the Meeting to act as proxy in light of the COVID-19 developments.

PERSONAL DATA PRIVACY:

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

Appendix

8 April 2020

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 via "live" webcast.

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

DEFINITIONS

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

Group Companies

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

Other Companies and Organisations

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

General

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

"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"	:	27 March 2020, 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.

1. INTRODUCTION

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

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

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

Pursuant to Chapter 9 of the Listing Manual, the Shareholders' Mandate, which was approved by the Shareholders on 13 September 2006 and renewed on 25 April 2007， 28 April 2008, 30 April 2009, 28 April 2010, 29 April 2011, 26 April 2012, 30 April 2013, 29 April 2014, 30 April 2015, 29 April 2016, 15 June 2017, 20 April 2018, and 30 April 2019, will continue in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 30 April 2020, 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 80.0% of Huafeng Group while the mother of Liang Guo Zhan own 20.0% 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 94.35% of Huafeng Incorporation while the remaining shareholders are Huafeng Group's union (a body representing the employees of Huafeng Group) holding 3.53% and Associates of Liang Guo Zhan holding 2.11%.

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 100% of Huafeng Storage.

Zhongkai Huafeng

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

Huafeng Incorporation owns 90.0% of Zhongkai Huafeng while 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 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 reviewed by the Audit Committee will be excluded from the aggregation of transactions for the purpose of this review.

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

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

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

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

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

3. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Ye Tian Shun) 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 2019 and that such methods are procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

(ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, our Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Liang Guo Zhan(1)	22,974,000	5.99	220,914,000	57.64
Ye Tian Shun	-	-	-	-
Gerald Yeo @ Yeo Ah Khe	150,000	nm(2)	-	-
Tham Hock Chee	-	-	-	-
Substantial Shareholders				
High Tree Worldwide Ltd(1)	220,914,000	57.64	-	-

[Note:-

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

(2) Not meaningful.

High Tree Worldwide Ltd. and Mr Liang Guo Zhan will abstain, and have undertaken to ensure that its associates will abstain, from voting at the forthcoming AGM on the Ordinary Resolution relating to the renewal of the Shareholders' Mandate.

5. DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate, namely Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Ye Tian Shun, 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 2019 of the Company, will be held on Tuesday, 30 April 2020 at 10 a.m. via "live" webcast, 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

To allow persons whose names are listed in the Depository Register maintained by CDP to attend the AGM, pursuant to Bye-law 85(B) of the Bye-laws, CDP will appoint each of the Depositors and, in relation to each of the Depositors, in respect of such number of shares of the Company set out opposite their respective names in the Depository Register as at 28 April 2020 (the “Cut Off Date”), as its proxy/proxies to attend and vote at the AGM.

If a Depositor wishes to appoint the Chairman of the AGM as proxy, the Depositor should complete and submit the Depositor Proxy Form despatched with the Annual Report in accordance with the instructions printed thereon.

If a Shareholder, who is not a Depositor, wishes to appoint the Chairman of the AGM as proxy, 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.

Additional Information on Directors Seeking Re-Appointment

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, we set out below the additional information on Mr Ye Tian Shun and Mr Tham Hock Chee, who are seeking re-appointment as Directors at the forthcoming Annual General Meeting. The information shall be read in conjunction with their respective biographies on pages 14 to 15.

	Mr Ye Tian Shun	**Mr Tham Hock Chee**
Date of Appointment	15/08/2008	01/07/2010
Date of last re-appointment	15/06/2017	20/04/2018
Age	55	72
Country of Principal Residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Ye as Executive Director of the Company was recommended by the Nominating Committee (NC) and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contributions since he was appointed as a Director of the Company.	The re-election of Mr Tham as a Non-Executive and Independent Director of the Company was recommended by the Nominating Committee (NC) and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contributions since he was appointed as a Director of the Company. Mr Tham has abstained from the deliberation of the NC as well as that of the Board pertaining to his re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive Director	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Member of the Audit Committee, Chairman of the Nominating Committee and Remuneration Committee
Professional qualifications	Bachelor in Marine Engineering, Dalian Marine Transportation Institute Master of Business Administration, University of Northern Virginia	Bachelor in Industrial Engineering, University of Hamburg
Working experience and occupation(s) during the past 10 years	Please refer to Mr Ye's biography set out under the section "Board of Directors" of the Annual Report	Please refer to Mr Tham's biography set out under the section "Board of Directors" of the Annual Report
Shareholding interest in the Company and its subsidiaries	None	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the Company or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes

	Mr Ye Tian Shun	Mr Tham Hock Chee
OTHER PRINCIPAL COMMITMENTS INCLUDING DIRECTORSHIPS		
Past (for the last 5 years)	None	None
Present	None	Abundance International Limited
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No.
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil	No	No

	Mr Ye Tian Shun	Mr Tham Hock Chee
proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?		
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that	No	No

	Mr Ye Tian Shun	Mr Tham Hock Chee
relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Information on Director Seeking Appointment

Pursuant to Rule 704(7) of the Listing Manual of the SGX-ST, we set out below information on Ms Liang Yaling, who is seeking appointment as a Director at the forthcoming Annual General Meeting.

	Ms Liang Yaling
Age	49
Country of Principal Residence	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Nominating Committee (the "**NC**") formally assessed the appointment of Ms Liang Yaling as a non-executive non-independent director of the Company. On the recommendation of the NC and having considered the strength of her calibre and experience, the Board of Directors, with the recommendation of the NC, is of the view that the Company will be able to leverage on Ms Liang's qualifications, financial and investment expertise, and that the appointment of Ms Liang as a non-executive non-independent Director will be beneficial to the Board and to the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of the Audit Committee, Nominating Committee and Remuneration Committee
Professional qualifications	Bachelor in Business Administration
Working experience and occupation(s) during the past 10 years	Since 1999, Ms Liang has served as general manager of the human resources department in Chaozhou Huafeng Group Co. Ltd.
Shareholding interest in the Company and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the Company or of any of its principal subsidiaries	Ms Liang is the sister of the Executive Chairman, Mr Liang Guo Zhan.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
OTHER PRINCIPAL COMMITMENTS INCLUDING DIRECTORSHIPS	
Past (for the last 5 years)	None
Present	None
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity	No.

	Ms Liang Yaling
is the trustee of a business trust, that business trust, on the ground of insolvency?	
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— **(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or** **(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or**	 No No

	Ms Liang Yaling
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or **(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,** **in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**	No No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
(l) Whether he has any prior experience as a director of a listed company? If No, please provide details of any training undertaken in the roles and responsibilities of a director of a listed company.	No. Upon appointment, Ms Liang shall be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of her duties.

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)

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

COMPANY SECRETARY
Chia Foon Yeow

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

COMPANY REGISTRATION NUMBER
37791

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

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

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

AUDITOR OF THE COMPANY
Marzars LLP
Public Accountants and Certified Public Accountants
135 Cecil Street #10-01
MYP Plaza
Singapore 069536
Partner-in-charge: Chan Hock Leong, Rick
(Appointed with effect since financial year
ended 31 December 2019)

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

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

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

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