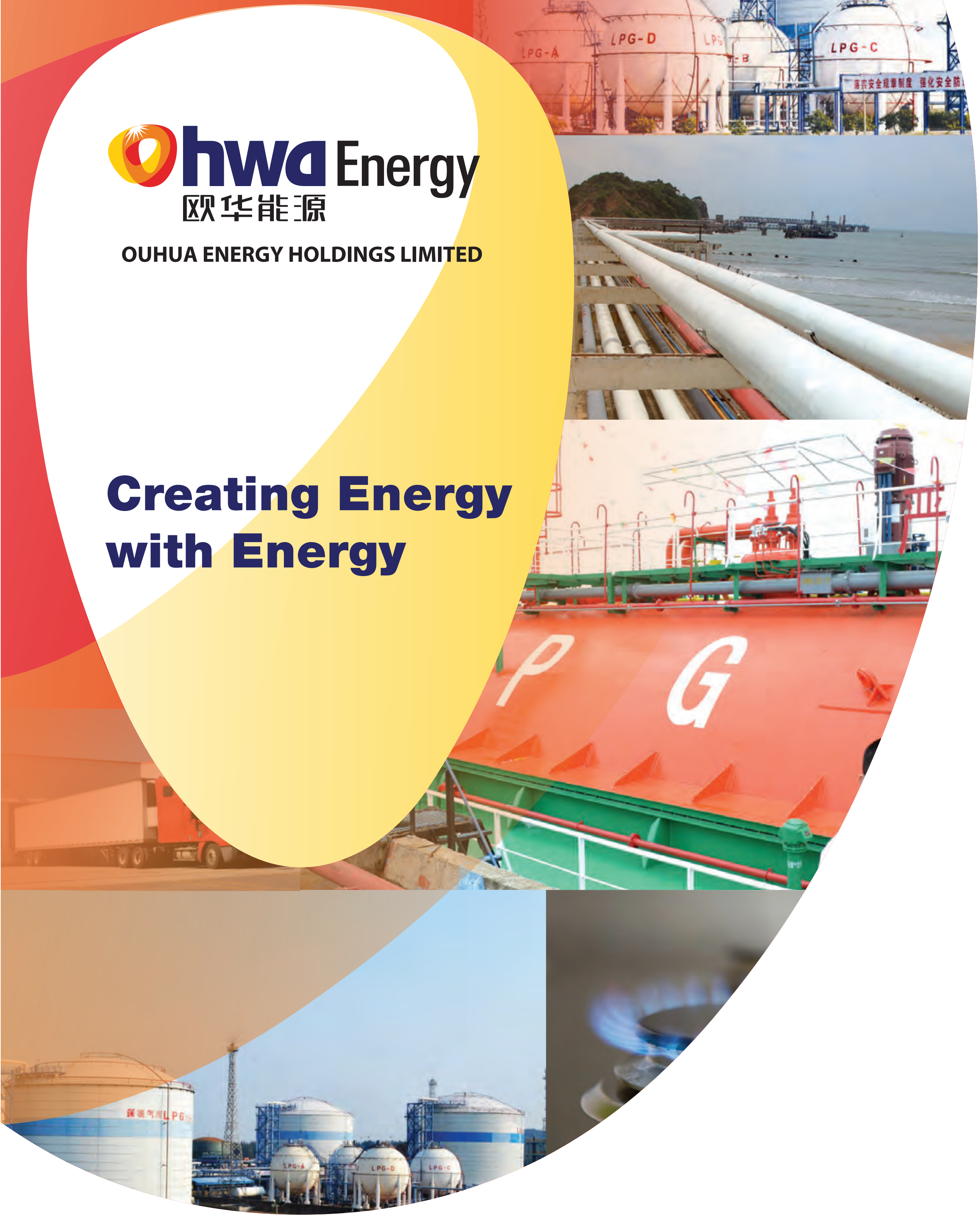
Ohwa Energy
欧华能源

OUHUA ENERGY HOLDINGS LIMITED

Creating Energy with Energy



2014

ANNUAL REPORT

CONTENTS

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.

CORPORATE PROFILE

Ouhua Energy Holdings Limited ("Ouhua Energy" or the "Company", and together with its subsidiaries, the "Group") is one of the leading importers of Liquefied Petroleum Gas ("LPG") in the People's Republic of China ("PRC") in terms of quantity. Ouhua Energy is strategically based in Chaozhou City, Guangdong Province, the "Ceramics Capital" of the PRC. Production of ceramics relies heavily on LPG. Ouhua Energy captures over 40% of local market share. In addition to importing most of the raw materials, namely butane and propane, from overseas suppliers and processing these into LPG, we also directly purchase LPG from domestic refineries for sale to customers across the PRC, and export to Vietnam, the Philippines and Thailand in Southeast Asia. Ouhua Energy is equipped with a comprehensive suite of production facilities, including over 100,000 cubic metres of LPG storage facilities, and a current annual LPG production capacity of 900,000 tonnes. These facilities are well located in a prime waterfront area supported by wharves that enable the Group to serve diverse markets beyond a geographical radius of 500 kilometres by land and 300 kilometres across the sea. As a licenced tier-one LPG distributor, the Group is focusing its efforts on developing the LPG retail chain, including the construction of urban gas pipeline system. Moving towards a green, low-carbon emission economy environment, LPG is a clean energy and can be widely used in commercial vehicles. The Group is also committed to exploring the market in LPG-filling gas station and the production of dimethyl ether("DME"), to further integrate advanced technology into our operations and extend product chain which utilises the same raw materials to ensure that we retain competitive edge in imports. The strong emphasis on product quality, safety, embedded technologies and environmental practices has cemented the Group's distinguished reputation and contributed to a strong customer base. The core values of the business is to seize opportunities which are before us, to earn and maintain the trust of our clients, establish a high-value market position, innovate and achieve sustainable development.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The Group faced another challenging period for the year ended 31 December 2014 ("FY2014") due to a confluence of adverse factors such as the highly volatile prices of our core product - Liquefied Petroleum Gas ("LPG"), a global plunge in oil prices, China's lower economic growth rate, and a weaker Renminbi ("RMB"). Despite these external challenges, we have made strategic advances that are set to contribute to the long term growth of the company.

Business Review

For the year under review, the Group reported total revenue growth of 44.6% or RMB613.17 million to a final figure of RMB1.99 billion. The rise in revenue was driven mainly by higher sales of LPG which amounted to 398,600 tonnes as compared to 260,200 tonnes in 2013. A key driver behind the higher sales is the stronger demand on the domestic front due to a shortfall in supply of LPG in other areas of China.

The shortfall of supply is due to multiple factors including the ongoing efforts by the Chinese government to reduce the country's reliance on coal as a key source of energy. The shift to more environmentally friendly sources is in line with the country's 12th five-year plan which projects that total gas consumption in the country is expected to reach 260 billion cubic meters by 2015 and by 2020, natural gas should comprise 10 percent of the energy mix.[i]

In addition to external factors, the growth in sales volume can also be attributed to the Group's successfully development of new sale segments in western China and Southeast Asia.

Although demand for LPG for FY2014 was greater than that of FY2013, our gains were significantly outpaced by the drastic fluctuations of LPG prices.

As a result of the LPG price instability, our gross profit fell by RMB40.53 million from the year before resulting in a gross loss of RMB36.08 million for the year under review. Correspondingly, our gross profit margin was reversed from a positive 0.32% to a negative 1.81%.

Due to the combination of negative factors mentioned above, the Group reported a net loss attributable to equity holders of RMB156.5 million for FY2014 as compared to the net loss of RMB51.3 million in FY2013.

Business Strategy

While we have been buffeted about by various external factors, we are girding ourselves to better weather the challenges ahead and keep a keen lookout for boons that will steer us back to profitability.

One such event is the substantial decline of oil prices internationally. World oil prices have been fairly stable between 2010 until mid-2014, at approximately US$110 a barrel. However, it has since halved to due to weaker demand from many countries due to soft economic growth, surging US production and the decision by oil cartel OPEC to not maintain production volume. [ii]

While the decline is unwelcome news for countries which are net exporters of oil, net importers such as China stand to benefit. The Economist magazines has pointed out that China is the world's second-largest net importer of oil and

i Booming Synergies in Sino-Russian Natural Gas Partnership(http://belfercenter.ksg.harvard.edu/files/RussoSinoGas2014%20web.pdf)
ii Falling oil prices: Who are the winners and losers? (http://www.bbc.com/news/business-29643612)
iii Cheaper oil - Winners and losers (http://www.economist.com/news/international/21627642-america-and-its-friends-benefit-falling-oil-prices-its-most-strident-critics)

CHAIRMAN'S STATEMENT

Despite the growing demand for LNG vis-à-vis that of LPG, we are still optimistic with regards to the LPG market as the newly-opened LPG processing enterprises in China may contribute to boost the market demand for LPG as raw materials.

stands to save US$2.1 billion annually for every US$1 drop in oil price. The Economist added that if lower oil prices are sustained, China's import bill would enjoy savings of up to US$60 billion or 3% and should support the government's efforts to reduce subsidies.[iii]

Thus the decline in oil prices may translate into opportunities for better economic and business conditions for China and the Group especially within the second half of 2015.

As we look outward for means to improve our performance, we also continually seek new means of improving the day-to-day operations of the Group. One such measure is our entering a bareboat charter agreement to obtain more reliable transportation of our products at market prices. The arrangement provides us greater assurance that the delivery of our products is unimpeded by issues such as short notice termination. Furthermore, the long-term charter also allows us to lock in the charter fee at a rate with greater savings. We had previously chartered the vessel from the owner for short-term utilisation since November 2013 on a temporary basis and have now inked a new agreement.

Moving forward, we will continue to exercise prudence in managing our business risks and controlling our operating costs so that we may be better positioned to capitalise on any opportunities that arise for us to better cope with our challenges and allow us to return to profitability.

Outlook FY2014

While we continue to anticipate rough waters ahead, the Group continues to see potential upside for the LPG market. Market researcher MicroMarket Monitor said that in 2014, Asia-Pacific had the largest share of global LPG market, followed by North America which constituted 24.6%. It also highlighted that the residential/commercial application of LPG is expected to grow at the fastest CAGR of 3.6% within the period of 2014 to 2019.[iv]

China's economy grew by 7.4% in 2014 due to economic stimulus and adjustment measures by the Chinese government. While it is lower than that of 2013, it is nonetheless close to the forecasted 7.5% and is a sign of the maturing economy. In 2015, the Chinese economy growth is expected to slow further but remain strong thus boding well for our prospects in the country.[v]

Acknowledgements

Once again I would like to thank all who have played a part in supporting the Group through such challenging times. My appreciation goes to our customers, suppliers and business associates for their support. Thanks are also in order for my fellow board members for their stewardship and to our dedicated staff who have worked tirelessly.

I would also like to thank our shareholders for their continued faith in us as we march onward in our pursuit to deliver value.

Liang Guo Zhan
Executive Chairman
Ouhua Energy Holdings Limited

[iv] The Global Liquid Petroleum Gas Market is Estimated to Reach $288.72 Billion by 2019 (http://www.prnewswire.com/news-releases/the-global-liquid-petroleum-gas-market-is-estimated-to-reach-28872-billion-by-2019-285951021.html

[v] China Outlook 2015 (http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/China-Outlook-2015-201501-v1.pdf)

主席致辞

尊敬的各位股东：

集团于2014年12月31日结束的年度（”2014财年”）再次面对另一段充满挑战的期间，我们面对的不利因素汇集而至，例如我们的核心产品液化石油气价格极度反复、环球石油价格急挫、中国的经济增长率下降和人民币汇价下跌。虽然面对这些外界挑战，但我们已作出战略进展，必然为公司的长期增长作出贡献。

业务回顾

在回顾年度，集团报告的总收入增长44.6%或人民币6.1317亿元，最终数字为人民币19.9亿元。收入上升的主要原因是受到液化石油气销售量由2013年的260,200吨增加至398,600吨所致。由于中国其他地区的液化石油气供应量短缺，引致国内层面的需求增强，成为了销售量上升的主要动力。

供应量短缺是因多项因素所导致，包括中国政府不断致力减少在国家层面依赖煤炭作为主要能源来源。转向更为环保的能源来源符合中国的十二五计划。根据计划，中国的总体气体消耗量预期于2015年达到2,600亿立方米，而到了2020年，天然气应占能源组合的百分之十。[i]

除了外在因素，销售量增长亦有赖于集团成功在中国西部和东南亚开发新销售分类。

虽然2014财年对液化石油气的需求超过2013财年，但由于液化石油气价格的激烈波动，远远抵销了我们的得益。

由于液化石油气价格不稳，我们的毛利润较一年前减少人民币4,053万元，令回顾年度出现毛亏损人民币3,608万元。因此，我们的毛利润率由正0.32%扭转为负1.81%。

由于上述负面因素同时出现，令集团报告的2014财年归属股东净亏损为人民币1.565亿元，而2013财年为净亏损人民币5,130万元。

业务战略

虽然我们受到不同的外在因素打击，但我们已做好充分准备，更有效地抵御将来的挑战，并专注于找寻更多机遇，引领我们重新获得盈利。

我们面对的其中一宗重大事件是国际石油价格显著下滑。世界各地的石油价格在2010年至2014中大致维持稳定，约在每桶110美元的水平。但是，由于多个国家的经济增长转弱令需求下跌、美国石油生产量急升和石油输出国组织不会维持生产量的决定，令石油价格自此减半。[ii]

对于石油净出口的国家来说，石油价格下跌是不受欢迎的消息，但对于净进口的国家如中国却可以受益。《经济学人》杂志已指出，中国是第二大石油净进口国，而石油价格每下跌1美元，则中国可以每年节省21亿美元。《经济学人》续称，假如石油价格下跌的情况继续，中国的进口成本将可节省高达600亿美元或3%，应能支持政府降低补贴的力度。[iii]

因此，石油价格下跌可能转化为提升中国和集团尤其是于2015年下半年的经济和商业状况的机遇。

[i] Booming Synergies in Sino-Russian Natural Gas Partnership(http://belfercenter.ksg.harvard.edu/files/RussoSinoGas2014%20web.pdf)
[ii] Falling oil prices: Who are the winners and losers? (http://www.bbc.com/news/business-29643612)
[iii] Cheaper oil - Winners and losers (http://www.economist.com/news/international/21627642-america-and-its-friends-benefit-falling-oil-prices-its-most-strident-critics)

主席致辞

当我们向外寻觅提升表现的方法时，我们也继续寻找提升集团日常运营的新方法。我们采取的其中一项措施是订立租船协议，以市场价格为我们的产品取得更可靠的运输工具。有关安排令我们有较大保证，产品在付运时不会受到临时终止等问题所影响。此外，长期租船合约也令我们能以较廉宜的费率锁定租船费。我们以往自2013年11月起以临时方式向船东租用货船作短期用途，而目前已转用新租船协议。

展望未来，我们将会继续谨慎地管理我们的业务风险和控制我们的营运成本，令我们能够做好充份准备，掌握我们面对的任何机遇，更有效地应付我们面对的挑战，令我们能够再度取得利润。

2015财年展望

虽然我们预计未来仍然面对重重挑战，但集团继续预料液化石油气市场具备上升潜力。市场调研机构MircoMarket Monitor表示于2014年，亚太区占环球液化石油气市场的最大份额，紧随其后的北美则占24.6%。该机构更强调液化石油气的住宅／商业应用预期于2014至2019年的期间内将以最高速的复合年增长率3.6%增长。[iv]

于2014年，受中国政府的经济刺激和调控措施推动，中国经济增长了7.4%。虽然低于2013年的增幅，但仍接近预测的7.5%，是经济体系渐趋成熟的迹象。于2015年，中国经济增长预期将进一步放缓但继续保持强劲，因此我们于国内的前景仍然向好。[v]

致谢

我再次感谢各方的支持，与集团一起渡过困难时期。我衷心感谢广大客户、供应商以及商业合作伙伴对我们的鼎力支持。对于董事会同人的带领和全体员工不懈的努力，我也深表敬意。

我也希望感谢股东对我们又一年的信任，我们将迈步向前，寻求创造更高价值。

梁国湛
执行主席
欧华能源控股有限公司

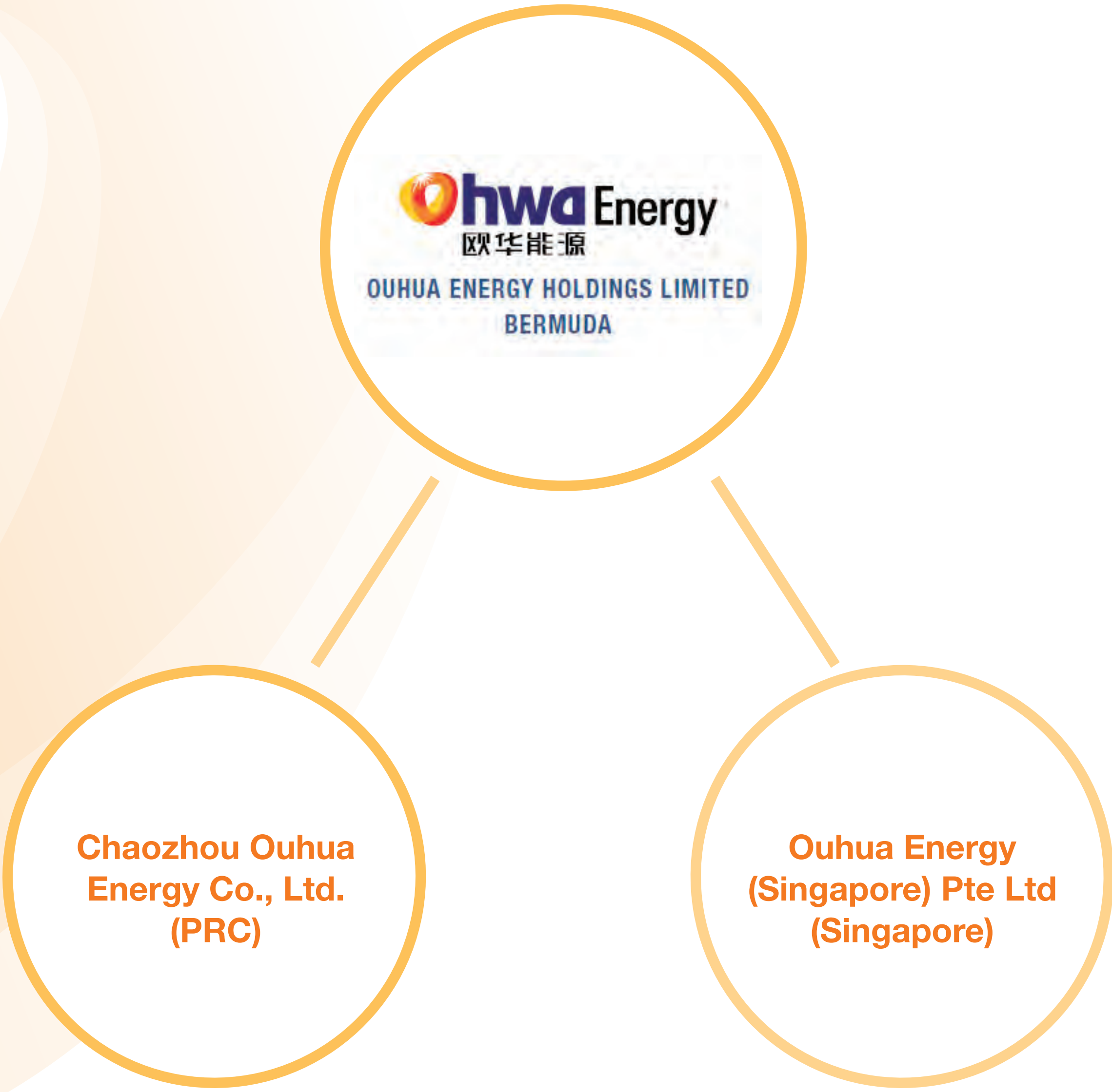
[iv] The Global Liquid Petroleum Gas Market is Estimated to Reach $288.72 Billion by 2019 (http://www.prnewswire.com/news-releases/the-global-liquid-petroleum-gas-market-is-estimated-to-reach-28872-billion-by-2019-285951021.html

[v] China Outlook 2015 (http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/China-Outlook-2015-201501-v1.pdf)

POWERFUL PERFORMANCE

Driven by an aspiration to build a sustainable business, we are delivering our promise with exceptional results.

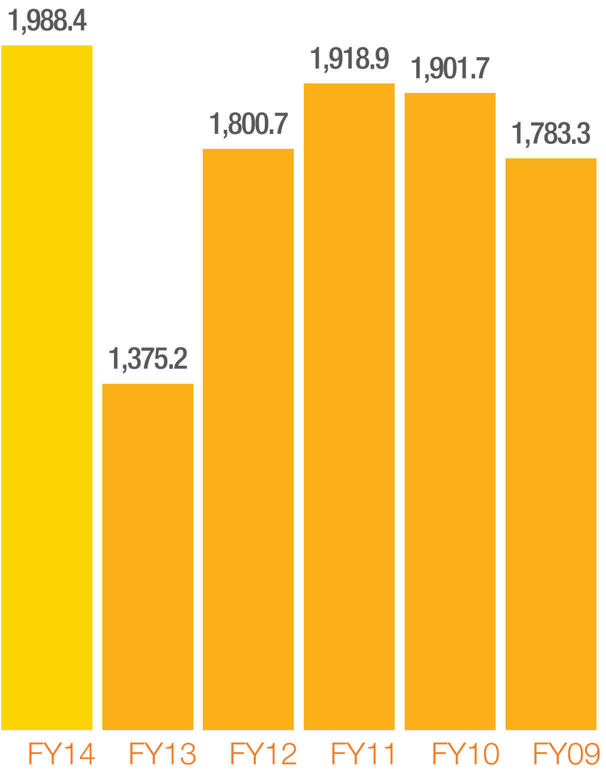
CORPORATE STRUCTURE



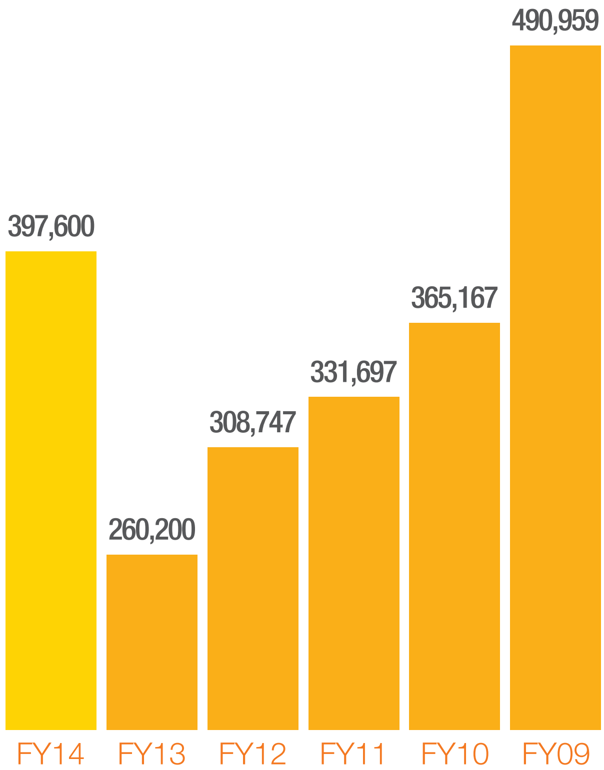
We are cautiously optimistic about both the short-term and the longterm future of our Group due to our Group's ongoing transformation and our focused efforts in capturing opportunities to improve and advance our level of technology.

FINANCIAL HIGHLIGHTS

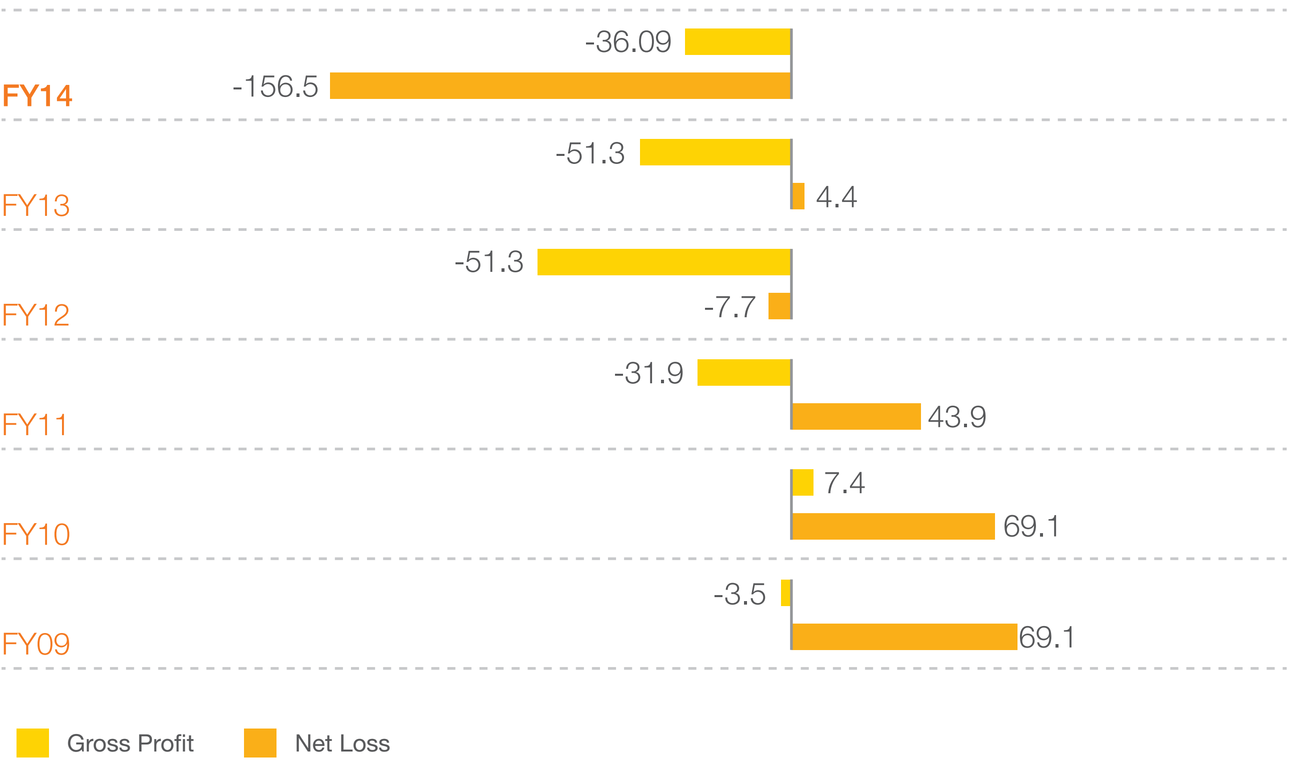
Revenue
(RMB 'million)



Sales Volume
(tonnes)

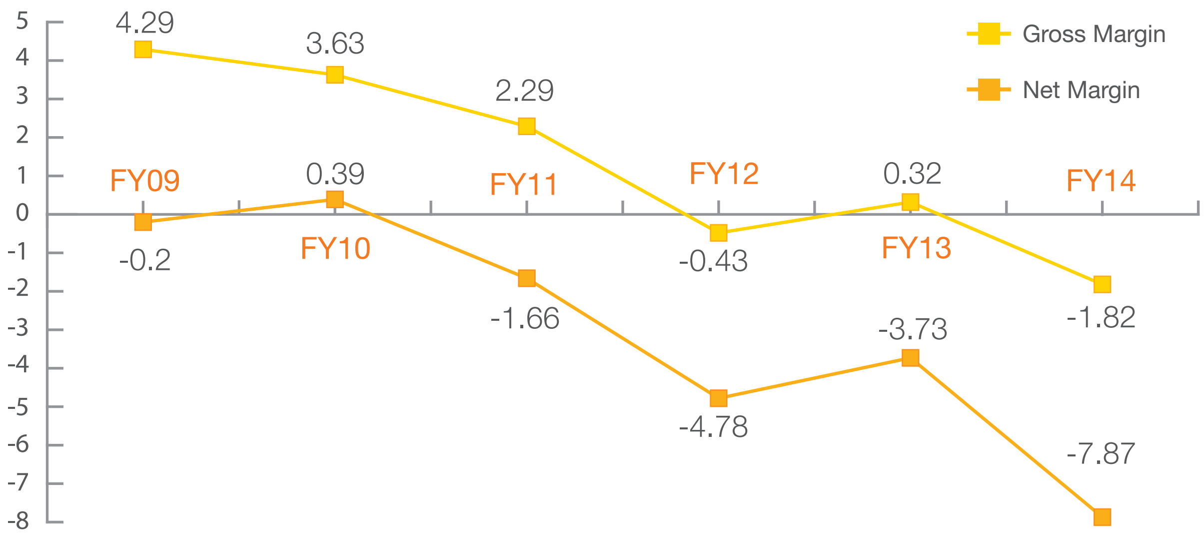


Gross and Net Profits
(RMB 'million)



FINANCIAL HIGHLIGHTS

Profit Margins
(%)



Key Financial Ratio

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Earnings/(Loss) per Share (RMB cents)	(0.93)	1.94	(8.27)	(22.47)	(13.39)	(40.82)
Gross Margins (%)	4.29	3.63	2.29	(0.43)	0.32	(1.82)
Net Margins (%)	(0.2)	0.39	(1.66)	(4.78)	(3.73)	(7.87)
Gearing Ratio (times)	0.67	0.61	0.57	0.73	0.76	0.93
NAV (RMB cents)	91.92[(1)]	93.86	85.59	63.13	49.73	8.9

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

Financial Calendar

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Designed Capacity (tonnes)	900,000	900,000	900,000	900,000	900,000	900,000
Weighted Average Design Capacity (tonnes)	900,000	900,000	900,000	900,000	900,000	900,000
Actual Output (tonnes)	490,959	365,167	331,697	308,747	260,200	398,600
Actual Output (percentage)	54.55%	40.57%	36.86%	34.31%	28.9%	44.3%

OPERATIONS REVIEW

Operating Revenue

The year ended 31 December 2014 was one of numerous fluctuating macroeconomic factors that affected our delivery of value. Despite the volatility, the Group made measured progress that will help pave the way for long term returns.

Total revenue for FY2014 grew significantly, rising by approximately 44.6% to RMB613.17 million due to growth in sales of LPG to 398,600 tonnes as compared to the 260,200 tonnes sold in FY2013. The increase in sales was primarily domestic due to a shortage of supply of LPG in other areas of China. In addition to capitalising on opportunities, the Group was proactive and successfully developed a new sales segment in western China and Southeast Asia, which also contributed to the increase in sales volume for the year under review.

Costs And Earnings Analysis

While we enjoyed top line growth, fluctuations in LPG purchase prices were more unstable in 2014 and negatively affected our gross profit which fell by RMB40.5 million and translated into a gross loss of RMB36.08 million for FY2014. Correspondingly, gross profit margin switched from a positive 0.32% to a negative 1.81%.

Other operating income also reported softer results with a decrease of RMB10.4 million or a 56.8% fall mainly due to the decrease of exchange gain of RMB14.2 million in 2014 as compared to the previous year. This was due to the weakening of the RMB against the USD during the year. The RMB had fallen from 6.0503 at beginning of the year to 6.2004 at end of year. There was also a decrease in interest income of RMB2.27 million.

The effect of these reductions were partially alleviated by the government subsidy income of RMB4.80 million and an increase of investment income of RMB0.90 million.

In FY2014, the Group saw operating expenses decrease due to several factors. The first is a 34.9% or RMB12.93 million rise in selling and distribution expenses due to an increase in tugboat charges of RMB1.4 million coupled with an increase in vessel rental of RMB8.75 million. These were partially offset by a decrease in marine freight of RMB5.81 million, a decrease in vehicle charge of RMB1.63 million, and the decrease in storage rental of RMB0.90 million.

Administrative expenses also contributed to higher operating expenses with its increase of RMB3.01 million or 15.2%. Factors behind the increase include higher port construction and maintenance which rose by RMB0.79 million, higher letter of credit applications and certificate fees which were up by RMB0.81 million due to more transactions, and maintenance fees which rose by RMB0.46 million. Other expenses which include items such as travelling, utilities and telephones, also increased to the tune of RMB1.25 million. This was partially offset by the decrease in salary of RMB0.68 million and decrease in electrical charge of RMB0.18 million.

Other operating expenses increased by RMB22.67 million or 402.8% due mainly to the inventory value written-down of RMB10.28 million, an impairment loss of RMB4.98 million in fixed assets, and an increase in the exchange loss of RMB10.30 million. A decrease in other expenses of RMB3.72 such as bank service fees helped to partially offset the increase.

OPERATIONS REVIEW

Finance costs for FY2014 increased by approximately RMB7.48 million or 63.18% mainly due to loss on an increase in interest expense of RMB7.48 million for bank loans.

As a result of the above, the Group recorded a net loss attributable to equity holders of RMB156.5 million in FY2014 as compared to a net loss of RMB51.3 million in FY2013.

Financial Position And Liquidity

Non-current assets decreased by approximately RMB17.77 million or 8.66% mainly due to the depreciation and disposal of fixed assets.

Current assets decreased by approximately RMB271.85 million or 45.70% from RMB594.85 million in FY2013 to RMB323.00 million in FY2014. This was mainly due to a decrease of cash and cash equivalents of RMB183.13 million, a decrease in inventories of RMB54.37 million, a decrease in pledged fixed deposits of RMB34.08 million, and a decrease in margin deposit with a broker of RMB10.19 million. The decrease were partially offset by the increase in trade and other receivables and due from related parties of RMB26.22 million.

Current liabilities decreased by approximately RMB133.16 million or 21.85% to RMB476.3 million in FY2014 as compared to RMB609.3 million in the previous financial year. This was mainly due to the decrease in short-term borrowings of RMB228.19 million, partially offset by the increase in trade and other payables of RMB99.11 million.

Net cash inflows from operating activities amounted to approximately RMB0.34 million due mainly to loss before income tax of RMB156.47 million, after adding back non-cash items of RMB47.49 million, and the net cash inflow of working capital RMB127.32million and interest paid of RMB19.32million.

Net cash inflows from working capital arose from a decrease in inventories of RMB44.09 million and margin deposits of RMB10.19 million. An increase in trade and other payables of RMB92.79 million. These were partially offset by the increase in trade and other receivables of RMB9.87 million and due from related parties of RMB9.88 million.

Net cash flows from investing activities amounted to RMB13.45 million mainly due to proceeds from sale of held to maturity investments of RMB80.31 million, partially offset by purchase of property, plant and equipment of RMB2.87 million and purchase of available-for-sales investments of RMB54 million.

Net cash used in financing activities amounted to RMB196.89 million mainly due to net repayment of bank borrowing of RMB228.19 million and offset by decrease in pledged fixed deposits of RMB34.08 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 also emphasises the need to provide and maintain a safe and healthy work environment for the Company's employees. The Company's employees are required to observe the Group's internal safety rules and regulations which are communicated to them regularly.

SEEING POSSIBILITIES IN ADVERSITY

As we move towards excellence, we are constantly exhilarated by the prospect of new challenges and opportunities.

BOARD OF DIRECTORS

LIANG GUO ZHAN

Executive Chairman

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

He obtained a diploma in Business Management from the Beijing Society Academic Institute. He has also completed a corporate strategy and pricing management program conducted by the Cheung Kong Graduate School of Business in January 2005. He is currently a member of the Guangdong Province 8th Youth Union Committee, the deputy chairman of the Guangdong Enterprise Union Committee, a representative of Chaozhou City's 12th People's Representative Association and the deputy chairman of the Guangdong Entrepreneur Society. He was also recognised as one of Guangdong Province's Excellent Entrepreneurs in 2004 and one of the Top 10 outstanding Youth at the 4th Chaozhou City Session in 2004.

YE TIAN SHUN

Executive Director

Ye Tian Shun is the Executive Director of our Group and was appointed to the Board on 15 August 2008. He is responsible for overseeing the human resource and other general administrative functions of our Group. Prior to joining our Group, he was the director of Huafeng Refining from 2003 to 2006. In Huafeng Refining, he was responsible for the sales and marketing functions. Prior to joining Huafeng Refining, he was the assistant to the president of Huafeng Group, responsible for the sales and marketing functions from 1999 to 2003.

Prior to 1999, he was working as a station manager for Chaozhou Fengxin Chengda Petroleum Gas Storage Station from 1998 to 1999, as a production supervisor for Chaozhou Huafeng Petroleum and Warehouse Co., Ltd. from 1996 to 1998, as a management personnel for Chaozhou Huaren Shipping Services Co., Ltd. from 1995 to 1996, and as a sailor for a Hong Kong based company, Yifeng Shipping Services Enterprise Company from 1991 to 1994. He obtained a degree in Ferry Management from the Dalian Marine Transportation Institute in December 1990 and a Master of Business Administration from the University of Northern Virginia, USA in June 2005.

BOARD OF DIRECTORS

GERALD YEO

Independent Director

Gerald Yeo was appointed on 26 April 2012 as Lead Independent Director of our Company. Mr Yeo is an Executive Director of One Tree Capital Management Pte. Ltd., an investment and corporate finance consultancy firm. He is also Independent Director of Yang Kee Logistics Pte. Ltd. in Singapore and Canadia Bank PLC in Cambodia. He has more than 20 years of experience in the banking and finance industry. He graduated from National University of Singapore with a Bachelor of Business Administration degree in 1983.

THAM HOCK CHEE

Independent Director

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

XIONG WEI

Independent Director

Xiong Wei was appointed as an Independent Director of our Company on 13 September 2006. He is currently the secretary general, and had previously held the position of deputy chairman of the Guangdong Fuel Gas Association, which is involved in the overall management of the infrastructure development, management and supply of fuel gas in the Guangdong Province. Prior to that, from 1996 to 2001, he was the deputy chief of the Foshan City Fuel Gas Management Office, involved in the management of the supply of fuel gas. From 1992 to 1996, he had held the positions of the head of the technical department and head of the business development department with Foshan City Fuel Gas Management Company, where he was primarily involved in the construction of fuel gas pipelines in the region. From 1988 to 1991, he was a member of the construction committee in the Foshan City, where he was involved in the upply of fuel gas. Xiong Wei obtained a degree in Urban Fuel Gas Engineering from the Tong Ji University in 1988 and was certified a Civil Engineer by the Foshan City authorities in 1995. He is currently a committee member of the China City Fuel Gas Association and a member of each of China City Coal Gas Institute LPG Professional Committee and Guangdong Fuel Gas Association.

SENIOR MANAGEMENT

NAN YANG

Chief Financial Officer

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

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

The Company is committed to complying with the Code of Corporate Governance 2012 (the "**Code**") issued by the Corporate Governance Committee. The Company is pleased to confirm that for the financial year ended 31 December 2014 ("**FY2014**"), it has generally adhered to the principles and guidelines as set out in the Code, except for certain deviations which are explained below.

1. BOARD MATTERS

Board's Conduct of Affairs

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

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

The principal functions of the Board include the following:

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

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

(c) review management performance;

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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The attendance of each Director at every Board and Board Committee meeting held during FY2014 is set out below:-

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

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

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

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

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

(iii) Each Independent Director 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 Nominating Committee has reviewed and determined that the said Directors are independent. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.

(iv) There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his first appointment as at the end of FY2014.

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

(vi) The NC recommends all appointments and retirements of directors. The NC is of the view that the current Board consists of the appropriate mix of expertise and experience to meet the Group's targets. Qualifications and experiences of the Board members are set out in this Annual Report under the heading "Board of Directors". Particulars of interests of Directors who held office at the end of FY2014 in shares in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Report.

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

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

(ii) Although the roles and responsibilities for Chairman and CEO are vested in Mr Liang, major decisions are made in consultation with the Board which comprises a majority of independent and non-executive Directors. Mr Liang's performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the RC. Both the NC and the RC comprise only the independent Directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.

(iii) Mr Gerald Yeo @ Yeo Ah Khe has been appointed as the lead independent Director by the Company. As the lead independent Director, he is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman, CEO or Chief Financial Officer of the Group has failed to resolve or where such communication is inappropriate.

Board Membership

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

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

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

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

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

(c) determining annually whether a Director is independent;

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

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

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

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

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

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

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

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

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

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

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

Name	Date of initial appointment	Date of last re-election	Present directorships in other listed companies	Past directorships in other listed companies in preceding 3 years
Liang Guo Zhan	11 January 2006	29 April 2014	–	–
Ye Tian Shun	15 August 2008	30 April 2013	–	–
Tham Hock Chee	1 July 2010	29 April 2014	China Sports International Limited	Sunpower Group Ltd; Sun East Group Limited
Xiong Wei	13 September 2006	30 April 2013	–	–
Gerald Yeo @ Yeo Ah Khe	26 April 2012	30 April 2013	–	–

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

(vii) Key information on the individual Directors and their shareholdings in the Company are set out in this Annual Report under the heading "Board of Directors". None of the Directors hold shares in the subsidiaries of the Company.

Board Performance

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

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

(ii) The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

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

Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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

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

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

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

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

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

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

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

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

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

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

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

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

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

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

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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

(ii) Non-executive Directors do not have service agreements with the Company. They are each paid a Directors' fee which is determined by the Board and RC based on the effort and time spent as well as responsibilities as member of the AC, NC and RC. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the non-executive Directors do not receive any remuneration from the Company.

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

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

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

- the remuneration of the executive Directors includes a fixed salary and a variable performance related bonus which is designed to align their interests with those of the shareholders;
- the service agreement may be terminated by either the Company or the executive Director giving not less than six months' notice in writing.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management, and performance.

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

(ii) A breakdown showing the level and mix of the remuneration of each individual Director and key executives in FY2014 is as follows:

Remuneration Band	Base/fixed salary	Variable or performance related income/ bonuses	Director's fees	Other benefits
Below $250,000				
Directors				
Mr Liang Guo Zhan	65%	35%	–	–
Mr Ye Tian Shun	65%	35%	–	–
Mr Xiong Wei	–	–	100%	–
Mr Tham Hock Chee	–	–	100%	–
Mr Gerald Yeo @ Yeo Ah Khe	–	–	100%	–
Key Management Personnel				
Mr Yang Heping	65%	35%	–	–
Mr Jia Bin (1)	65%	35%	–	–
Mr Yang Nan (2) (appointed on 15th May 2014)	65%	35%	–	–
Mr Li Bin	65%	35%	–	–
Ms Lin Jinjin	65%	35%	–	–

Note:

(1) Mr Jia Bin resigned on 15th May 2014.

(2) Mr Yang Nan was appointed as the Company's Chief Financial Officer on 15th May 2014, in place of Mr Jia Bin.

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

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

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(iv) There are only four management personnel whom the Company considered to be key management personnel (who were not Directors). In considering the disclosure of remuneration of these four key management personnel of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the company's interest. The annual aggregate remuneration paid to these four key management personnel of the Company (who are not Directors or the CEO) for FY2014 is RMB 615,622.

(v) The Group does not have any employees who are immediate family members of a Director and whose remuneration exceeded S$50,000 during FY2014.

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

3. ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

Risk Management and Internal Controls

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

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

(ii) The AC reviews the effectiveness of the Group's internal controls, including operational controls regularly and is responsible for the overall internal control framework. The Board acknowledges that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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

(v) To further enhance the internal controls of the Company, the Board has also resolved to engage audit professionals to assist in (1) setting out a scope of review to review the Company's risk assessment processes, (2) establishing the internal control framework (Enterprise Risk Management), and (3) monitoring of the adequacy and effectiveness of the Company's internal control process via Control Self-Assessment.

Audit Committee

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

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

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

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

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

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

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

(e) reviewing significant findings of internal investigations;

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

(g) reviewing interested person transactions; and

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

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

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

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

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

(vi) The aggregate amount of audit fees paid to the external auditors in FY2014 was S$147,800 and there were no non-audit fees paid to the external auditors in FY2014. The Company confirms that it has complied with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to its auditing firms.

(vii) The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

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

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Internal Audit

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

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

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

(iii) The AC reviews and approves the annual internal audit plans and reviews the scope and results of the internal audit performed by the internal auditors.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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

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

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

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

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

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

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

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

(vi) While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

(vii) The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNet.

5. DEALINGS IN SECURITIES

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

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

6. INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

The aggregate value of interested person transactions entered into during FY2014 is as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 31 December 2014 (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 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000	Aggregate value of all interested person transactions 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	–	–	301
• Lease of LPG transportation vessel	–	8,821	8,821
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
• Sale of LPG	–	154,991	154,991
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
• Lease of storage tankers	–	733	733
Chaozhou Huafeng Refining Co., Ltd			
• Lease of port terminals, land use rights, office premises and staff dormitory	–	5,364	5,364
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
• Purchase of petrol for car usage	194	–	–

7. MATERIAL CONTRACTS

There are no material contracts of the Company or its subsidiary, involving the interest of any Director or controlling shareholder subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.

8. CORPORATE SOCIAL RESPONSIBILITY

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

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company did not disclose the exact details of the remuneration of each individual Director pursuant to Guideline 9.2 as it was not in the best interests of the Company and employees to do so, due to the sensitive nature of such information. Please refer to Principle 9 (ii) and 9 (iii) of the Corporate Governance Report. (b) Pursuant to Guideline 9.3, the Company had to disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO). However, as there were only four management personnel whom the Company considered to be key management personnel, the Company only disclosed the aggregate remuneration paid to the top four key management personnel (who are not directors or the CEO). Please refer to Principle 9 (iv) of the Corporate Governance Report. (c) Save for the abovementioned deviation, the Company has complied with the rest of the principles and guidelines of the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) Not applicable.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(d) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (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.	(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.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

Guideline	Questions	How the Company complied?
Guideline 2.6	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The Nominating Committee has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the Nominating Committee takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2014.
Guideline 1.6	(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 FY2014. (b) Please refer to paragraphs 1(iii) of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (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 six 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 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	(a) Please refer to Principle 5 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

Guideline	Questions	How the Company complied?
Guideline 5.1	(b) Has the Board met its performance objectives?	(b) Yes. The Nominating Committee has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	(a) Yes.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

Guideline	Questions	How the Company complied?
Guideline 9.3	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(b) There are only four management personnel whom the Company considered to be key management personnel. The annual aggregate remuneration paid to the top four Key Executives of the Company (who are not Directors or the Chief Executive Officer) for FY2014 is RMB 615,622.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. Please refer to Principle 13 of the Corporate Governance Report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) Yes.

CORPORATE GOVERNANCE REPORT

Year ended 31 December 2014

Guideline	Questions	How the Company complied?
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The aggregate amount of audit fees amounted to approximately S$147,800. (b) Not applicable. The external auditors have not provided any non-audit services to the Company.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report. (b) The Group's Chief Executive Officer and the Independent Directors are entrusted with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. (c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company did not pay any dividends in FY2014. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

REPORT OF THE DIRECTORS

Year ended 31 December 2014

The directors of Ouhua Energy Holdings Limited (the "Company") present their report to the members together with the audited financial statements of the Ouhua Energy Holdings Limited and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1. Directors

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

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

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

2. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' interests in shares or debentures

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

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

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company state that, according to the Register of the Directors shareholdings, the directors' interests as at 21 January 2015 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in Note 32 of the financial statements.

REPORT OF THE DIRECTORS

Year ended 31 December 2014

5. Share options

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

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

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

6. Audit committee

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

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

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

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

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

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

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

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

The audit committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting of the Company.

7. Auditors

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

On behalf of the directors

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

Singapore
31 March 2015

STATEMENT BY THE DIRECTORS

Year ended 31 December 2014

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, with the continuing support from its Executive Chairman and its related parties, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

LIANG GUO ZHAN
Director

YE TIAN SHUN
Director

Singapore
31 March 2015

INDEPENDENT AUDITORS' REPORT

To the Members of Ouhua Energy Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Ouhua Energy Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 39 to 78.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group for the financial year ended 31 December 2013 and the statement of financial position of the Company as at 31 December 2013 were audited by another firm of auditors who expressed a qualified opinion on these financial statements on 3 April 2014. The previous auditors were unable to determine whether any liabilities or penalties would be imposed or any consequential actions would be taken by China authorities in relation to the breach of certain Value Added Tax regulations by a subsidiary of the Group. Consequently, they were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments to the financial statements should be made for further provisions or other liabilities as at 31 December 2013.

INDEPENDENT AUDITORS' REPORT

To the Members of Ouhua Energy Holdings Limited

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements which indicates that the Group incurred a net loss of approximately RMB156,469,000 during the financial year ended 31 December 2014 and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by approximately RMB153,256,000 and RMB27,469,000 respectively. These conditions indicate the existence of an uncertainty that may cast doubt about the Group's and the Company's ability to continue as a going concern. The ability of the Group and the Company to continue as a going concern depends on the continuing support from its Executive Chairman and its related parties. Our audit opinion is not qualified in respect of this matter.

MAZARS LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	4	1,988,409	1,375,243
Cost of sales		(2,024,495)	(1,370,804)
Gross (loss)/profit		(36,086)	4,439
Other operating income	5	7,346	18,320
Selling and distribution expenses		(46,479)	(34,449)
Administrative expenses		(22,813)	(19,799)
Other operating expenses		(39,122)	(8,014)
Loss from operations		(137,154)	(39,503)
Finance costs	6	(19,315)	(11,837)
Loss before income tax expense	7	(156,469)	(51,340)
Income tax expense	9	–	–
Loss for the financial year		(156,469)	(51,340)
Other comprehensive income:			
Components of other comprehensive income that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translating foreign operations		(22)	4
Total comprehensive loss for the financial year		(156,491)	(51,336)
Loss per share attributable to owners of the Company (RMB fen per share)			
Basic and diluted	10	(40.82)	(13.39)

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

STATEMENTS OF FINANCIAL POSITION

Year ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Non-current assets					
Property, plant and equipment	11	187,383	203,417	–	–
Investments in subsidiaries	12	–	–	156,277	176,277
Trade receivables	13	–	1,739	–	–
Total non-current assets		187,383	205,156	156,277	176,277
Current assets					
Inventories	14	63,029	117,400	–	–
Trade and other receivables	13	73,258	61,956	121	119
Due from related parties	15	56,727	41,806	–	–
Held-to-maturity investments	16	–	80,312	–	–
Available-for-sale investments	17	65,010	1,010	–	–
Margin deposits	18	1,389	11,577	1,389	11,577
Pledged fixed deposits	19	42,084	76,161	–	–
Cash and cash equivalents	20	21,500	204,628	643	298
Total current assets		322,997	594,850	2,153	11,994
Total assets		510,380	800,006	158,430	188,271
Current liabilities					
Trade and other payables	21	162,207	50,414	3,551	1,734
Notes payable	22	–	15,000	–	–
Due to a related party	15	4,018	3,922	4,018	3,922
Due to a subsidiary	23	–	–	22,053	18,590
Bank borrowings	24	307,711	535,904	–	–
Derivative financial instruments	25	–	1,831	–	1,261
Income tax payable		2,317	2,317	–	–
Total current liabilities		476,253	609,388	29,622	25,507
Net assets		34,127	190,618	128,808	162,764
Issued capital and reserves attributable to owners of the Company					
Share capital	26	149,488	149,488	149,488	149,488
Share premium	27	130,298	130,298	130,298	130,298
Statutory reserve	28	15,662	15,662	–	–
Foreign currency translation reserve	29	6,105	6,127	7,154	7,652
Accumulated losses		(267,426)	(110,957)	(158,132)	(124,674)
Total equity		34,127	190,618	128,808	162,764

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	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 2013	149,488	130,298	15,662	6,123	(59,617)	241,954
Loss for the financial year	–	–	–	–	(51,340)	(51,340)
Other comprehensive income:						
Exchange differences on translating foreign operations	–	–	–	4	–	4
Total comprehensive loss for the financial year	–	–	–	4	(51,340)	(51,336)
Balance at 31 December 2013	149,488	130,298	15,662	6,127	(110,957)	190,618
Balance at 1 January 2014	149,488	130,298	15,662	6,127	(110,957)	190,618
Loss for the financial year	–	–	–	–	(156,469)	(156,469)
Other comprehensive income:						
Exchange differences on translating foreign operations	–	–	–	(22)	–	(22)
Total comprehensive loss for the financial year	–	–	–	(22)	(156,469)	(156,491)
Balance at 31 December 2014	149,488	130,298	15,662	6,105	(267,426)	34,127

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 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before income tax expense		(156,469)	(51,340)
Adjustments for:			
Depreciation of property, plant and equipment		13,901	13,998
Loss on disposal of property, plant and equipment, net		23	–
Fair value loss arising from derivative financial instruments		–	1,831
Interest income		(809)	(3,078)
Interest expense		19,315	11,837
Impairment loss on property, plant and equipment		4,976	–
Inventory value written-down		10,277	–
Reversal of provision of doubtful debts		(189)	–
Operating loss before movements in working capital		(108,975)	(26,752)
Inventories		44,094	107,661
Trade and other receivables		(9,869)	9,007
Due from related parties		(9,880)	24,809
Notes receivables		–	20,000
Margin deposits		10,188	(11,577)
Trade and other payables		92,789	(245,443)
Cash generated from/(used in) operations		18,347	(122,295)
Interest paid		(19,315)	(11,837)
Interest received		1,304	4,704
Net cash from/(used in) operating activities		336	(129,428)
Cash flows from investing activities			
Purchase of available-for-sale investments		(64,000)	–
Sale/(Purchase) of held-to-maturity investments		80,312	(80,312)
Purchase of property, plant and equipment	11	(2,866)	(330)
Net cash flows from/(used in) investing activities		13,446	(80,642)
Financing activities			
Decrease in pledged fixed deposits		34,077	123,552
Receipts from a director		2,173	–
Receipts from a related party		96	127
Payments to related parties		(5,041)	(151)
Proceeds from bank borrowings		1,289,369	1,221,483
Repayments of bank borrowings		(1,517,562)	(1,008,648)
Net cash (used in)/generated from financing activities		(196,888)	336,363
Net (decrease)/increase in cash and cash equivalents		(183,106)	126,293
Cash and cash equivalents at beginning of financial year		204,628	78,331
Effect of foreign exchange rate changes in cash and cash equivalents		(22)	4
Cash and cash equivalents at end of financial year	20	21,500	204,628

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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

1. General

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

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

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

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

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors of the Company on 31 March 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

The Group incurred a net loss of approximately RMB156,469,000 during the financial year ended 31 December 2014 and, as of that date, the Group's and Company's current liabilities exceeded its current assets by approximately RMB153,256,000 and RMB27,469,000 respectively. These conditions indicate the existence of an uncertainty that may cast doubt about the Group's and Company's ability to continue as going concern.

The ability of the Group and the Company to continue as a going concern depends on the continuous support from its Executive Chairman and its related parties who have undertaken to provide continuing financial support. The Group has available banking facilities amounting to RMB172,289,000 as at 31 December 2014. With the continuing support from the Executive Chairman and its related parties, the Group has been able to continue its normal operations up to the date of approval of these financial statements and Management do not foresee any difficulties in the Company and the Group in managing its debts as and when it falls due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

In the current financial year, the Group has adopted all the new and revised IFRS and IFRIC that are relevant to its operations and effective for the current financial year. The adoption of these new/revised IFRS and IFRIC did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

IFRS and IFRIC issued but not effective

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

		Effective date (annual periods beginning on or after)
Various	Annual improvement 2012	1 July 2014
Various	Annual improvement 2013	1 July 2014
IAS 19	Employee benefits – amendments	1 July 2014
IAS 1	Presentation of financial statements	1 January 2016
IAS 16	Property, Plant and Equipment – amendments	1 January 2016
IAS 27	Separate financial statements	1 January 2016
IFRS 10	Consolidated Financial Statements – amendments	1 January 2016
Various	Annual improvement 2014	1 July 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

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

The management anticipates that the adoption of the above IFRS and IFRIC in future periods will not have a material impact on the financial statements of the Group and the 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 circumstance indicate that there are changes to the one or more of the three elements of control.

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

2.3 Revenue recognition

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

<u>Sale of goods</u>

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

<u>Rendering services</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.3 Revenue recognition (Continued)

Interest income

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

2.4 Borrowing costs

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

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

2.5 Employee benefits

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

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

2.6 Income taxes

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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%

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.9 Impairment of tangible assets

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

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.10 Financial instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

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

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

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method, less impairment, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Fair value through profit or loss

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

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

Trade and other payables, notes payable and due to a related party/subsidiary are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into foreign currency forward contracts and commodity futures contracts to manage its exposure to foreign currency and commodity price fluctuations.

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 hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year.

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. Summary of significant accounting policies (Continued)

2.14 Leases

Operating leases

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

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

2.15 Provisions

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

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

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

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

2.16 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.17 Government subsidies

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.18 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical judgements in applying the entity's accounting policies

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

(i) Determination of functional currency

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

(ii) Impairment of property, plant and equipment

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

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

The carrying amounts of the Group's property, plant and equipment as at 31 December 2014 were RMB187,383,000 (2013: RMB203,417,000).

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

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

(iii) Impairment of loans and receivables

The allowance policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required. The carrying amount of the Group and the Company's loans and receivables were RMB155,231,000 and RMB 2,032,000 (2013: RMB357,709,000 and RMB11,875,000) respectively.

3.2 Key sources of estimation uncertainty

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

(i) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment as at 31 December 2014 were RMB187,383,000 (2013: RMB203,417,000).

(ii) Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2014 was RMB63,029,000 (2013: RMB117,400,000).

(iii) Provision for income taxes

The Group mainly has exposure to income taxes in PRC. Due to its inherent nature, judgement is involved in determining the Group's provisions for income taxes. The Group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax payables as at 31 December 2014 was approximately RMB2,317,000 (2013: RMB2,317,000).

4. Revenue

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

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Year ended 31 December 2014

5. Other operating income

	Group	
	2014	2013
	RMB'000	RMB'000
Tug boat service	391	196
Interest income from fixed deposits	809	3,078
Foreign exchange gain, net	–	14,243
Subsidies from government*	4,851	–
Interest income from held-to-maturity investments	1,295	390
Interest income from non-current trade receivable	–	182
Others	–	231
	7,346	18,320

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

6. Finance costs

	Group	
	2014	2013
	RMB'000	RMB'000
Interest on trust receipts	15,690	8,048
Interest on bank borrowings	3,625	3,773
Other finance charges	–	16
	19,315	11,837

7. Loss before income tax expense

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

	Group	
	2014	2013
	RMB'000	RMB'000
Foreign exchange loss, net	10,297	–
Reversal of provision of doubtful debts	(189)	–
Audit fees paid to auditors		
- Auditors of the Company	447	482
- Other auditors	240	240
Fair value loss on derivative financial instruments	11,397	2,386
Operating lease expenses	14,115	8,938
Depreciation on property, plant and equipment (Note 11)	13,901	13,998
Employee benefit costs (Note 8)	14,628	13,925
Marine freight	28,454	23,649
Loss on disposal of property, plant and equipment, net	23	–
Impairment loss on property, plant and equipment	4,976	–
Inventory value written-down	10,277	–

8. Employee benefits costs

	Group	
	2014 RMB'000	2013 RMB'000
Salaries, bonuses and allowances	13,588	12,865
Contributions to retirement benefits schemes	640	574
Other social security cost	400	486
	14,628	13,925

Employee benefits costs included the amounts shown as Directors' remuneration in Note 32(b) to the financial statements.

9. Income tax expense

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

	Group	
	2014 RMB'000	2013 RMB'000
Current tax	–	–

(b) Reconciliation of effective tax rate:

Loss before income tax expense	(156,469)	(51,340)
Loss before income tax at statutory tax rate of 25% (2013: 25%)	(39,117)	(12,835)
Tax effect of non-deductible items	5,057	2,715
Unrecognised deferred tax benefits arising from tax losses	34,060	10,120
	–	–

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

At the reporting date, the subsidiary of the Group has unutilised tax losses amounted to RMB285,013,000 (2013: RMB147,338,000) which can be carried forward and used to offset the future taxable income, subject to meeting certain statutory requirements in the country of incorporation. The tax losses will expire in five years from the year it arose. Deferred tax assets are not recognised due to uncertainty of its recoverability.

(c) Tax laws affecting a subsidiary

(i) Foreign investment enterprises income tax rate

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

(ii) Withholding tax on dividends

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

10. Loss per share

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

	2014	2013
Loss attributed to equity holders (RMB'000)	(156,469)	(51,340)
Weighted average number of ordinary shares ('000)	383,288	383,288
Basic and diluted loss per share (RMB fen)	(40.82)	(13.39)

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

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

There is no dilutive potential ordinary share during the financial years 2014 and 2013.

11. Property, plant and equipment

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

11. Property, plant and equipment (Continued)

	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
Group							
Cost							
Balance at 1 January 2013	181,275	115,000	17,019	2,585	1,615	1,735	319,229
Additions	–	–	265	–	65	–	330
Balance at 31 December 2013	181,275	115,000	17,284	2,585	1,680	1,735	319,559
Accumulated depreciation							
Balance at 1 January 2013	73,349	8,694	16,112	668	1,586	1,735	102,144
Charged for the financial year	7,302	5,244	1,132	226	94	–	13,998
Balance at 31 December 2013	80,651	13,938	17,244	894	1,680	1,735	116,142
Carrying amount							
At 31 December 2013	100,624	101,062	40	1,691	–	–	203,417

11. Property, plant and equipment (Continued)

As at 31 December 2014, property, plant and equipment amounting to approximately RMB145,600,000 (2013: RMB54,238,000) were pledged with a bank for banking facilities granted (Note 24).

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 is legally binding between Chaozhou Ouhua and Huafeng Incorporation. Consequently, Chaozhou Ouhua will possess full ownership interest in and retains all the risks and rewards of the vessel.

Upon completion of the vessel in 2011, for vessel licencing purposes, the vessel is required to be registered under both Zhejiang Huachang Marine Transportation Co., Ltd ("Huachang") and Huafeng Incorporation. For this purpose, Huafeng Incorporation with the agreement of Chaozhou Ouhua (the sole legal, beneficial and rightful owner of the vessel), entered into a Transfer of Rights agreement with Huachang where it stated that Huachang does not have any ownership interest in the vessel despite the vessel is co-registered under the name of Huafeng Incorporation and Huachang. As at 31 December 2012, the vessel was pledged to a bank for credit facilities amounting to RMB63,000,000. The mortgage has been discharged on 22 March 2013.

During the financial year, Chaozhou Ouhua carried out a review of the recoverable amount of its facilities and vessel as it incurred operating loss. An impairment loss of RMB4,976,000 (2013: Nil) represent the write-down of vessel to recoverable amount which was recognised in profit or loss. The recoverable amount of the vessel is determined based on valuation performed by independent qualified professional valuer during the financial year. The method of valuation was depreciated replacement costs, calculated using current market data on building costs, adjusted by an appropriate multiple based on the type of asset being valued.

12. Investments in subsidiaries

	Company	
	2014 RMB'000	2013 RMB'000
Unquoted equity investment, at cost	221,417	221,417
Loan to a subsidiary [a]	62,860	62,860
Less: Allowance for impairment	(128,000)	(108,000)
	156,277	176,277

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

During the financial year ended 31 December 2014, a subsidiary incurred operating loss. This has caused the Company to assess the recoverable amount of the investment in subsidiary. Based on the assessment, the Company recognised total impairment loss of RMB128,000,000 (2013: RMB108,000,000), representing the write down of the investment in subsidiary to its recoverable amount based on the subsidiary's fair value less cost to sell, which the management if of the opinion that it approximates to the net tangible assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

12. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follow:

Name of subsidiary/ (Principal place of business)	Registered capital	Effective equity held by the Group		Principal activities
		2014	2013	
Chaozhou Ouhua Energy Co., Ltd [(1)] (PRC)	RMB221,416,000	100%	100%	Import, processing and wholesale of liquefied petroleum gas
Ouhua Energy (Singapore) Pte. Ltd. [(2)] (Singapore)	S$100	100%	100%	Dormant

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

13. Trade and other receivables

	Group 2014 RMB'000	Group 2013 RMB'000
Current		
Trade receivables – third parties	33,551	15,397
Allowance for impairment of trade receivables		
At 1 January	(1,088)	(1,213)
Reversal of provision of doubtful debts	189	125
At 31 December	(899)	(1,088)
	32,652	14,309
Prepayments	523	585
Advances to suppliers	8,112	13,739
Deposits	–	4,500
Value added tax receivables, net	31,092	25,834
Interest receivable	–	495
Staff advances	228	531
Others	690	2,002
Allowance for impairment of other receivables		
At 1 January / 31 December	(39)	(39)
Total loans and receivables - current	73,258	61,956
Non-current		
Trade receivable – third party	–	1,739
Total trade and other receivables	73,258	63,695
Add: Due from related parties (Note 15)	56,727	41,806
Add: Margin deposits (Note 18)	1,389	11,577
Add: Pledged fixed deposits (Note 19)	42,084	76,161
Add: Cash and cash equivalents (Note 20)	21,500	204,628
Less: Advance to suppliers	(8,112)	(13,739)
Less: Prepayments	(523)	(585)
Less: Value added tax receivables, net	(31,092)	(25,834)
Total loans and receivables	155,231	357,709

13. Trade and other receivables (Continued)

	Company 2014 RMB'000	Company 2013 RMB'000
Prepayments, representing total trade and other receivables	121	119
Add: Margin deposits (Note 18)	1,389	11,577
Add: Cash and cash equivalents (Note 20)	643	298
Less: Prepayments	(121)	(119)
Total loans and receivables	2,032	11,875

Trade receivables from third parties are non-interest bearing and are generally on credit term of 10 days (2013: 10 days). They are recognised at their original invoice amounts which represents their fair values on initial recognition. Allowance for trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB32,652,000 (2013: RMB14,309,000) which are past due at the end of the financial year for which the Group has not provided for as there has not been a significant change in credit quality and the management is confident of its recoverability.

Non-current trade receivable due from a customer is repayable on a monthly installment basis over 12 years. This amount is recorded at amortised cost using a discount rate of 6.55% and the amount has been fully repaid during the financial year.

14. Inventories

	Group 2014 RMB'000	Group 2013 RMB'000
Raw materials	71,337	111,461
Finished goods	1,969	5,939
Less: Inventories written-down	(10,277)	–
	63,029	117,400

Cost of inventories recognised in cost of sales amounted to approximately RMB2,019,483,000 (2013: RMB1,366,562,000) during the financial year.

15. Due from/to related parties

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Due from related parties				
Trade	51,686	41,806	–	–
Non-trade	5,041	–	–	–
	56,727	41,806	–	–
Due to a related party				
Non-trade	4,018	3,922	4,018	3,922

Amounts due from/to related parties are unsecured, interest-free and are repayable on demand. The carrying amounts of due from/to related parties approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

16. Held-to-maturity investments

	Group	
	2014	2013
	RMB'000	RMB'000
Unquoted investments, at amortised cost	–	80,312

At 31 December 2013, the held-to-maturity investments have nominal values amounting to RMB80,312,000 with coupon rates ranging from 6.5% to 6.7% per annum and maturity dates ranging from March 2014 to April 2014.

Unquoted investments funds represent fixed-interest investments through financial institutions in PRC.

17. Available-for-sale investments

	Group	
	2014	2013
	RMB'000	RMB'000
Unquoted investments, at cost		
Carrying amount of available-for-sale investments	65,010	1,010

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

18. Margin deposits

Margin deposits are placed with an established financial institution for commodity future contracts trading and are non-interest bearing (Note 25).

The carrying amounts of margin deposits approximate their fair values.

19. Pledged fixed deposits

Fixed deposits at the end of the financial year have an average maturity period of 12 months (2013: 12 months) from the end of the financial year.

Fixed deposits are pledged with financial institutions as security for banking facilities granted to the Group. The effective interest rate for those fixed deposits are from 0.35% (2013: 3.00% to 4.55%) per annum. The carrying amounts of pledged fixed deposits approximate their fair values.

20. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash balances	52	386	–	–
Bank balances	21,448	204,242	643	298
	21,500	204,628	643	298

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

20. Cash and cash equivalents (Continued)

As at 31 December 2014, the Group has cash and cash equivalents placed with banks in the PRC amounting to RMB21,500,000 (2013: RMB204,628,000). 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.

21. Trade and other payables

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade payables	121,666	–	–	–
Accrued expenses	14,965	15,960	1,234	1,590
Advance from customers	20,638	32,095	–	–
Due to a director	2,317	144	2,317	144
Others	2,621	2,215	–	–
Total trade and other payables	162,207	50,414	3,551	1,734
Add: Due to a related party	4,018	3,922	4,018	3,922
Add: Notes payables	–	15,000	–	–
Add: Due to a subsidiary	–	–	22,053	18,590
Less: Advances from customers	(20,638)	(32,095)	–	–
Total other financial liabilities	145,587	37,241	29,622	24,246

Trade payables are non-interest bearing and are normally settled on 30 days (2013: 30 days) terms while other payables have an average term of 10 days (2013: 10 days).

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

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

22. Notes payable

The notes payable from bank as at 31 December 2013 are interest-free and mature at varying dates within the next twelve months. The carrying amounts of notes payable approximate their fair values.

23. Due to a subsidiary

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

24. Bank borrowings

	Group	
	2014 RMB'000	2013 RMB'000
Trust receipts	77,711	432,954
Bank borrowings	230,000	102,950
	307,711	535,904

Trust receipts were secured by corporate guarantees from related parties and personal guarantee by a director. As at 31 December 2013, bank borrowings of RMB102,950,000 were secured by pledged fixed deposits (Note 19) and certain property, plant and equipment (Note 11). As at 31 December 2014, the bank borrowings of RMB 230,000,000 were secured by corporate guarantees from related parties and personal guarantee from a director.

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Year ended 31 December 2014

24. Bank borrowings (Continued)

The average effective borrowing rates for trust receipts and bank borrowings range between 6.00% (2013: 1.43% to 6.57%) and 7.07% (2013: 2.09% to 6.60%) respectively.

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

During current financial year, a subsidiary of the Group did not fulfil the covenant that requires the maintenance of debt/equity ratio at 85%. As a result, the entire outstanding loan of RMB230,000,000 is presented as current liabilities at the end of the reporting period. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount. The bank had not requested for immediate repayment for outstanding loan amount up to the date of authorisation of these financial statements.

25. Derivative financial instruments

Derivative financial instruments comprise the following:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-hedging instruments				
- Commodity futures[(a)]	–	1,261	–	1,261
- Foreign currency forward contract[(b)]	–	570	–	–
Total financial liabilities at fair value through profit or loss	–	1,831	–	1,261

[(a)] Commodity futures contracts mature within 1 month from the end of the reporting period.
[(b)] The foreign currency forward contract mature within 6 months from the end of the reporting period.

<u>Commodity futures contracts</u>

The Group uses commodity futures to manage its risk exposure in commodity price fluctuations. There are no futures contracts outstanding as at the financial year end.

At the reporting date, the total notional amounts of the commodity futures to which the Group is committed to were as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Commodity futures				
- Long	–	74,339	–	74,339
- Short	–	9,909	–	9,909

25. Derivative financial instruments (Continued)

Foreign currency forward contract

The Group uses currency forward contract in the management of its exchange rate exposures arising from its foreign currency denominated business transactions.

At the end of the financial year, details of outstanding foreign currency forward contract was as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Non-hedging instruments				
- Foreign currency forward contract	–	23,839	–	–

26. Share capital

	Group and Company					
	2014	2013	2014		2013	
	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.

27. Share premium

	Group and Company			
	2014		2013	
	US$'000	RMB'000	US$'000	RMB'000
At 1 January and 31 December	16,704	130,298	16,704	130,298

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

28. 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 2014 and 2013 as the Group's PRC subsidiary is in an accumulated loss position at the end of both financial years.

29. 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.

30. Commitments

Operating lease commitments

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	6,313	9,286
After one financial year but not later than five years	22,932	21,457
After five years	36,208	41,573
	65,453	72,316

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

The Company's subsidiary, Chaozhou Ouhua Energy Co., Ltd, leases port terminal, land use rights, certain buildings and tugs boats from Chaozhou Huafeng Refining Co., Ltd, a related party, where lease rental is negotiated and fixed for a term of 15 to 20 years under non-cancellable operating lease agreements. In addition, the subsidiary also leased vessel from another related party for the year ended 31 December 2014. The contract has expired, without renewal, by the end of the financial year.

31. Contingent liabilities

As disclosed in prior year's financial statements, the Company's China subsidiary, Chaozhou Ouhua had made some errors in its Value Added Tax ("VAT") submission return during the financial year ended 31 December 2013 which appear to be in breach of tax regulations and may result in tax liabilities or penalties.

31. Contingent liabilities (Continued)

No provisions for liabilities or any related penalties have been made, in relation to the above. The Management has sought clarification from the relevant tax authorities and has obtained a written confirmation that there is no non-compliance in connection with the Value Added Tax submission return and payment by Chaozhou Ouhua during the financial year ended 31 December 2013 ("Tax Clarification"). In addition, the Management also obtained a legal opinion from a reputable law firm in the PRC, confirming the validity of the Tax Clarification. In this regard, the Board has also obtained written legal undertakings from the Company's controlling shareholder cum the Executive Chairman of the Company and Chaozhou Ouhua, Mr Liang Guo Zhan and Huafeng Group to fully indemnify Chaozhou Ouhua from any liabilities, losses or expenses, in the event that any tax liabilities or penalties are imposed by the tax authorities.

In the current financial year, the Management has also obtained written confirmation from the relevant tax authorities that there is no non-compliance in connection with the Value Added Tax submission return and payment by Chaozhou Ouhua during the financial year ended 31 December 2014.

32. 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).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

32. Significant related party transactions (Continued)

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	
	2014 RMB'000	2013 RMB'000
Revenue		
Sale of LPG to a related party	154,991	216,690
Expenses		
Lease of port terminals, land use rights, office premises and staff dormitory paid to a related party	(5,364)	(5,364)
Vessel rental paid to a related party	(8,821)	(1,369)
LPG transportation vehicles rental paid to related parties	(301)	(1,141)
Storage tanker rental paid to a related party	(773)	(1,636)
Electricity charged by a related party	(1,463)	–
Petrol for car usage paid to a related party	(194)	(152)

(b) Compensation of key management personnel

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

	Group	
	2014 RMB'000	2013 RMB'000
Director's fees	553	616
Short-term benefits	910	1,183
Post-employment benefits	79	63
	1,542	1,862

33. Financial instruments and financial risk

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

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

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

33. 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 and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics. As at the end of the financial year, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

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

As at 31 December 2014 and 2013, substantially all the margin deposits, fixed pledged deposits and cash and cash equivalents as detailed in Notes 18, 19 and 20 respectively, are held in major financial institutions which are regulated and located in the PRC; all derivative financial instruments are also entered into with these financial institutions, which management believes are of high credit quality. The management does not expect any losses arising from non-performance by these counterparties.

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

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

	Group	
	2014 RMB'000	2013 RMB'000
Past due for 1 to 30 days	32,410	13,882
Past due for 31 to 90 days	148	261
Past due for 91 to 180 days	94	166
	32,652	14,309

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

33. Financial instruments and financial risk (Continued)

Liquidity risk (Continued)

Group	Effective interest rate %	Less than 1 year RMB'000	2 to 5 years RMB'000	Total RMB'000
Undiscounted financial assets				
Trade and other receivables	–	33,531	–	33,531
Due from related parties	–	56,727	–	56,727
Available-for-sale investments	–	65,010	–	65,010
Margin deposits	–	1,389	–	1,389
Pledge deposits	0.35	42,231	–	42,231
Cash and cash equivalents	–	21,500	–	21,500
As at 31 December 2014		220,388	–	220,388
Trade and other receivables	–	23,537	–	23,537
Due from related parties	–	41,806	–	41,806
Held-to-maturity investments	6.50 – 6.70	81,607	–	81,607
Available-for-sale investments	–	1,010	–	1,010
Margin deposits	–	11,577	–	11,577
Pledge deposits	3.00 – 4.55	76,161	–	76,161
Cash and cash equivalents	–	204,628	–	204,628
As at 31 December 2013		440,326	–	440,326
Undiscounted financial liabilities				
Trade and other payables	–	141,569	–	141,569
Due to a related party	–	4,018	–	4,018
Bank borrowings, fixed interest rates	6.00	77,970	–	77,970
Bank borrowings, floating interest rates	7.07	275,861	–	275,861
As at 31 December 2014		499,418	–	499,418
Trade and other payables	–	18,319	–	18,319
Notes payable	–	15,000	–	15,000
Due to a related party	–	3,922	–	3,922
Bank borrowings, fixed interest rates	1.43 – 6.57	440,890	–	440,890
Bank borrowings, floating interest rates	2.09 – 6.60	104,281	–	104,281
As at 31 December 2013		582,412	–	582,412
Total undiscounted net financial assets/(liabilities)				
- at 31 December 2014		(279,030)	–	(279,030)
- at 31 December 2013		(142,086)	–	(142,086)

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

33. 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
<u>Undiscounted financial assets</u>				
Trade and other receivables	–	1,389	–	1,389
Cash and cash equivalents	–	643	–	643
As at 31 December 2014		2,032	–	2,032
Trade and other receivables	–	11,577	–	11,577
Cash and cash equivalents	–	298	–	298
As at 31 December 2013		11,875	–	11,875
<u>Undiscounted financial liabilities</u>				
Trade and other payables	–	3,551	–	3,551
Due to related party	–	4,018	–	4,018
Due to a subsidiary	–	22,053	–	22,053
As at 31 December 2014		29,622	–	29,622
Trade and other payables	–	1,734	–	1,734
Due to related party	–	3,922	–	3,922
Due to a subsidiary	–	18,590	–	18,590
As at 31 December 2013		24,246	–	24,246
Total undiscounted net financial assets/(liabilities)				
- At 31 December 2014		(27,590)	–	(27,590)
- At 31 December 2013		(12,371)	–	(12,371)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

33. Financial instruments and financial risk (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	10% decrease	10% increase	10% decrease
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014				
Bank borrowings	(1,675)	1,675	–	–
As at 31 December 2013				
Bank borrowings	(466)	466	–	–

The Company has no significant exposure to interest rate risk.

Foreign currency risk

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

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

	USD	RMB	SGD	EUR	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>					
2014					
Trade and other receivables	31,173	2,358	–	–	33,531
Due from related parties	–	56,727	–	–	56,727
Margin deposits	1,389	–	–	–	1,389
Available-for-sale investments	–	65,010	–	–	65,010
Pledged fixed deposits	–	42,084	–	–	42,084
Cash and cash equivalents	733	20,664	103	–	21,500
Trade and other payables	(120,755)	(17,263)	(3,551)	–	(141,569)
Due to related parties	(4,018)	–	–	–	(4,018)
Bank borrowings	(77,711)	(230,000)	–	–	(307,711)
	(169,189)	(60,420)	(3,448)	–	(233,057)
Less: Net liabilities/(assets) denominated in respective entities functional currency	(5,947)	60,420	–	–	54,473
Currency exposure	(175,136)	–	(3,448)	–	(178,584)

33. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

	USD RMB'000	RMB RMB'000	SGD RMB'000	EUR RMB'000	Total RMB'000
<u>Group</u>					
2013					
Trade and other receivables	–	23,537	–	–	23,537
Due from related parties	–	41,806	–	–	41,806
Margin deposits	11,577	–	–	–	11,577
Held-to-maturity investments	–	80,312	–	–	80,312
Available-for-sale investments	–	1,010	–	–	1,010
Pledged fixed deposits	3,420	72,741	–	–	76,161
Cash and cash equivalents	8,353	196,275	–	–	204,628
Trade and other payables	(61)	(16,584)	(1,674)	–	(18,319)
Due to related parties	(3,922)	–	–	–	(3,922)
Notes payable	–	(15,000)	–	–	(15,000)
Derivative financial liabilities	(1,261)	(570)	–	–	(1,831)
Bank borrowings	(337,064)	(102,950)	–	(95,890)	(535,904)
	(318,958)	280,577	(1,674)	(95,890)	(135,945)
Less: Net liabilities/(assets) denominated in respective entities functional currency	(10,614)	(280,577)	–	–	(291,191)
Less: Currency forwards denominated in respective entities functional currency	(23,839)	–	–	–	(23,839)
Currency exposure	(353,411)	–	(1,674)	(95,890)	(450,975)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

33. Financial instruments and financial risk (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

	USD RMB'000	RMB RMB'000	SGD RMB'000	Total RMB'000
Company				
2013				
Cash and cash equivalents	298	–	–	298
Margin deposits	11,577	–	–	11,577
Trade and other payables	–	–	(1,734)	(1,734)
Due to a subsidiary	–	(18,590)	–	(18,590)
Due to a related party	(3,922)	–	–	(3,922)
	7,953	(18,590)	(1,734)	(12,371)
Less: Net liabilities/(assets) denominated in functional currency	(7,953)	–	–	(7,953)
Currency exposure	–	(18,590)	(1,734)	(20,324)

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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
As at 31 December				
USD	17,514	35,341	17,514	35,341
SGD	345	167	345	167
EUR	–	9,589	–	9,589

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

The Company has no significant exposure to foreign currency risk.

Commodity price risk

The Group has commodity price risk as Propane ("C3") and Butane ("C4") are the main raw materials. C3 is traded commodity and its price is subject to the fluctuations of the world commodity markets. Any significant increases in the prices for C3 will have a material adverse impact on the financial position and results of operation. The Group's profitability will be adversely affected if the Group is unable to pass on any increase in raw material prices to its customers on a timely basis or find cheaper alternative sources of supply.

The Group enters into derivative contracts in the form of commodity futures to hedge its exposure to such commodity price risks. As at 31 December 2013, if the commodity prices increase/ decrease by 5% with all other variable held constant, the loss before tax higher/lower by RMB3,158,000 as a result of the changes in the fair value of the futures as at end of the reporting period.

The Group does not have any derivative contracts outstanding as at 31 December 2014.

34. Fair value of assets and liabilities

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

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

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

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

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

The methods used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The fair value of the commodity futures contracts have been determined by reference to their quoted bid prices at the reporting date and this derivative falls under Level 1 (Note 25).

The fair value of foreign currency forward contracts are based on brokers quotes which have been arrived at using discounted cash flow valuation techniques with observable market inputs, mainly quoted forward exchange rates. These are considered level 2 fair values (Note 25).

There were no transfers between levels 1 and 2 during the financial year 2013 and 2014.

35. 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 24 and equity attributable to equity holders of the Company, comprising share capital, share premium, statutory reserve, foreign currency translation reserve, and accumulated losses as disclosed in consolidated statement of financial position.

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

The Group and the Company manage capital by regularly monitoring its current and expected liquidity requirements. The Group and the Company are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government for conversion of RMB into foreign currencies. The Group is also subject to a bank covenant for its bank borrowings to maintain a debt/equity ratio of 85% (Note 24).

As disclosed in Note 28, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

35. Capital management policies and objectives (Continued)

The Group's strategy was to maintain the debt to equity ratio under 1. The debt-equity ratios as at 31 December 2014 and 2013 were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Total liabilities	476,253	609,388
Equity	34,127	190,618
Debt to equity ratio	13.96	3.20

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

The Group's overall strategy remains unchanged from 2013.

36. Segment reporting

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

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

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

Distribution of total sales by geographical markets:

	Group	
	2014	2013
	RMB'000	RMB'000
PRC	1,767,557	1,238,152
Asia Pacific	220,852	137,091
	1,988,409	1,375,243

Major customers

The revenues from one customer, which is a related party, of the Group's trading segment represent approximately RMB154,991,000 (2013: RMB216,690,000).

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

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

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

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.04	20	0.00
100 - 1,000	55	2.47	54,000	0.01
1,001 - 10,000	937	42.02	6,812,100	1.78
10,001 - 1,000,000	1,222	54.80	76,481,600	19.95
1,000,001 and above	15	0.67	299,940,280	78.26
Total	**2,230**	**100.00**	**383,288,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

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

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

(2) Not meaningful.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2015

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2015

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CIMB SECURITIES (SINGAPORE) PTE LTD	239,983,000	62.61
2	WANG HUA ZHU	21,880,000	5.71
3	PHILLIP SECURITIES PTE LTD	17,048,280	4.45
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,640,000	1.21
5	OCBC SECURITIES PRIVATE LTD	2,044,000	0.53
6	CHAN KHENG ANN	2,000,000	0.52
7	LI KUN	1,791,000	0.47
8	KALINAR INVESTMENTS PTE LTD	1,700,000	0.44
9	UOB KAY HIAN PTE LTD	1,670,000	0.44
10	CHEN ZEFENG	1,641,000	0.43
11	KIM SENG HOLDINGS PTE LTD	1,190,000	0.31
12	GAN TIAM SIANG	1,136,000	0.30
13	LEE LENG LOKE	1,103,000	0.29
14	GUO SHAO KAI	1,094,000	0.29
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,020,000	0.27
16	CHIANG LIEW CHIN	900,000	0.23
17	RAFFLES NOMINEES (PRIVATE) LIMITED	869,700	0.23
18	KALANDORO TJITRA SIANTAR	818,000	0.21
19	CHEN SHAOWEN	806,000	0.21
20	TAN ENG CHUA EDWIN	782,000	0.20
TOTAL:		304,115,980	79.35

FREE FLOAT

Based on the information provided to the Company as at 16 March 2015, approximately 36.65% of the issued ordinary shares of the Company was held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of OUHUA ENERGY HOLDINGS LIMITED will be held at Orchid Room, Excelsior Tower, Level L, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Thursday, 30 April 2015 at 10:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Audited Accounts, together with the Report of the Directors and Auditors and the Statement of Directors, for the financial year ended 31 December 2014. **(Resolution 1)**

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

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

   Mr Xiong Wei (Bye-Law 104) **(Resolution 3)**

   [See Explanatory Note 1]

3. To approve the payment of Directors' fees of S$119,000 for the financial year ended 31 December 2014. **(Resolution 4)**

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

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

AS SPECIAL BUSINESS:-

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

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

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

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

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

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

   provided that:-

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

"That approval be and is hereby given for the purpose of Chapter 9 of the Listing Manual of the SGX-ST for the Company and its subsidiary to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2014 (the "Appendix") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures as set out in the Appendix and that such approval (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

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

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary
Singapore
8 April 2015

EXPLANATORY NOTES:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

NOTES:

(i) A Depositor who is a natural person need not submit the Depositor Proxy Form if he is attending the Annual General Meeting in person. Where a Depositor is a corporation and wishes to be represented at the Annual General Meeting, it must nominate not more than two persons ("Appointees"), who shall be natural persons, to attend and vote as proxy for The Central Depository (Pte) Limited ("Depository") at the Annual General Meeting.

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

PERSONAL DATA PRIVACY:

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

APPENDIX

Appendix

8 April 2015

This Appendix is circulated to Shareholders of Ouhua Energy Holdings Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders' Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held at Lotus Room, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, on Thursday, 30 April 2015 at 10:00 am.

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

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

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

OUHUA ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda on 3 January 2006)
(Company Registration Number 37791)

APPENDIX

IN RELATON TO

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

APPENDIX

DEFINITIONS

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

Group Companies

"Chaozhou Ouhua"	:	潮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 Refining"	:	潮州市华丰造气厂有限公司 (Chaozhou Huafeng Refining Co., Ltd.)
"Huafeng Storage"	:	潮州市华丰石油产品仓储有限公司 (Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.)
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Zhongkai Huafeng"	:	潮州市中凯华丰能源连锁配送有限公司 (Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.)

General

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

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"Bye-laws"	:	The bye-laws of our Company, as amended, supplemented or modified from time to time
"Directors"	:	The directors of our Company
"Latest Practicable Date"	:	31 March 2015, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The Listing Manual of the SGX-ST
"PRC"	:	People's Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China, for the purpose of this Prospectus and for geographical reference only
"Shares"	:	Ordinary shares of US$0.05 each in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares

Currencies, Units and Others

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

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

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

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

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

APPENDIX

1. INTRODUCTION

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

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

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

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

2. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

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

Huafeng Group

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

Huafeng Incorporation

Huafeng Incorporation is a company incorporated in the PRC and is primarily engaged in investment holding and the distribution of LPG to end-users through its LPG retail stations in the PRC. Huafeng Group owns 94.4% of Huafeng Incorporation while the remaining shareholders are Huafeng Group's union (a body representing the employees of Huafeng Group) holding 3.5% and Associates of Liang Guo Zhan holding 2.1%.

Huafeng Storage

Huafeng Storage is a company incorporated in the PRC and is primarily engaged in the storage of petroleum and related products in the PRC. Huafeng Incorporation owns 75.0% of Huafeng Storage while Hongkong Huaye (a company which is 70.0% owned by Liang Ya Ling, a sister of Liang Guo Zhan) owns the remaining 25.0%.

Zhongkai Huafeng

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

APPENDIX

(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:-

APPENDIX

(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.

APPENDIX

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

3. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Gerald Yeo @ Yeo Ah Khe, Mr Tham Hock Chee and Mr Xiong Wei) has reviewed the terms of the Shareholders' Mandate and confirms that the method and procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the last Shareholders' approval which took place on 29 April 2014 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), (2)]	100	nm[(3)]	220,914,000	57.64
Ye Tian Shun	–	–	–	–
Gerald Yeo@Yeo Ah Khe	150,000	nm[(3)]	–	–
Tham Hock Chee	–	–	–	–
Xiong Wei	–	–	–	–
Substantial Shareholders				
High Tree Worldwide Ltd.[(1)]	220,914,000	57.64	–	–
Wang Hua Zhu[(2)]	21,880,000	5.7	–	–

Note:-

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

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

(3) Not meaningful.

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

APPENDIX

5. DIRECTORS' RECOMMENDATION

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

6. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2014 of the Company, will be held on Thursday, 30 April 2015 at 10:00 am at Lotus Room, Peninsula Excelsior Hotel, 5 Coleman Street, Singapore 179805, for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

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 2015 (the "Cut Off Date"), as its proxy/proxies to attend and vote at the AGM. Accordingly, an individual Depositor who wishes to attend and vote in person at the AGM can do so without having to submit the proxy form issued to Depositors ("Depositor Proxy Form") together with the Notice of AGM.

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

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

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

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

CORPORATE INFORMATION

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

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

COMPANY SECRETARY
Mr Chia Foon Yeow
REGISTERED OFFICE
Canon's Court,
22 Victoria Street
Hamilton HM12
Bermuda

COMPANY REGISTRATION NUMBER
37791

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

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

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

AUDITOR OF THE COMPANY
Marzars LLP
Public Accountants and
Certified Public Accountants
133 Cecil Street #15-02
Keck Seng Tower
Singapore 069535

Partner-in-charge: Mr. Lai Keng Wei
(Appointed with effect since financial year
ended 31 December 2014)

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

Shenzhen Development Bank Co., Ltd.
Guangzhou Branch, 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,
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The People's Republic of China

欧华能源

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