



## OUHUA ENERGY HOLDINGS LIMITED

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

### Unaudited Financial Statements For The Second Quarter Ended 30 June 2008

The initial public offering of Ouhua Energy Holdings Limited was sponsored by Stirling Coleman Capital Limited (the "Manager"). The Manager assumes no responsibility for the contents of this announcement.

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

#### UNAUDITED PROFIT AND LOSS ACCOUNTS FOR THE SECOND QUARTER AND FIRST HALF ENDED 30 JUNE 2008

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2008	30 June 2007	% change	30 June 2008	30 June 2007	% change
Revenue	469,139	550,414	(14.77)%	856,187	959,715	(10.79)%
Cost of sales	(454,395)	(519,604)	(12.55)%	(824,611)	(907,868)	(9.17)%
Gross profit	14,744	30,810	(52.15)%	31,576	51,847	(39.10)%
Other operating income	13,830	7,466	85.24%	25,696	11,068	132.16%
Selling and distribution expenses	(17,169)	(15,010)	14.38%	(29,979)	(21,092)	42.13%
Administrative expenses	(4,922)	(4,604)	6.91%	(9,661)	(8,160)	18.39%
Other operating expenses	13	(110)	n.m.	(703)	(165)	326.06%
Finance costs	(6,396)	(2,947)	117.03%	(13,596)	(3,444)	294.77%
Profit before income tax	100	15,605	(99.36)%	3,333	30,054	(88.91)%
Income tax	-	-	n.a.	-	-	n.a.
Profit for the financial period	100	15,605	(99.36)%	3,333	30,054	(88.91)%

n.m. – not meaningful

n.a. – not applicable

**Notes:**

- (1) The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS").
- (2) The Company's subsidiary, Chaozhou Ouhua Energy Co., Ltd. was incorporated as a wholly foreign owned enterprise and in accordance with the "Income Tax Law of the People's Republic of China ("PRC") for Enterprise with Foreign Investment and Foreign Enterprise", the subsidiary in the PRC is entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years commencing from its first profitable year (FY2007) and thereafter entitled to a 50% relief of EIT for the next three years.

**1(a)(ii) Other information:**

The Group's profit before income tax has been arrived at after crediting/(charging):

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2008	30 June 2007	% change	30 June 2008	30 June 2007	% change
Depreciation of property, plant and equipment	(2,346)	(2,369)	(0.97)%	(4,715)	(4,736)	(0.44)%
Interest expense	(5,713)	(2,781)	105.43%	(12,893)	(3,260)	295.49%
Interest income	2,538	164	1447.56%	4,669	258	1709.69%
Foreign exchange gain	9,031	5,521	63.58%	19,152	8,794	117.78%
Fair value gain of financial assets	1,065	-	n.m.	1,065	-	n.m.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

BALANCE SHEETS	Group		Company	
	(Unaudited) As at 30 June 2008	(Audited) As at 31 December 2007	(Unaudited) As at 30 June 2008	(Audited) As at 31 December 2007
(RMB'000)				
<b>Non-current assets</b>				
Property, plant and equipment	152,051	156,765	-	-
Investment in a subsidiary	-	-	221,417	221,417
	<u>152,051</u>	<u>156,765</u>	<u>221,417</u>	<u>221,417</u>
<b>Current assets</b>				
Inventories	222,286	227,527	-	-
Trade and other receivables	70,074	42,662	362	192
Financial derivatives at fair value through profit or loss	3,691	2,505	-	-
Due from a subsidiary	-	-	63,367	63,200
Due from related parties	146,894	109,825	2,950	3,428
Fixed deposits	482,213	380,815	-	-
Cash and bank balances	15,276	53,604	1,097	130
	<u>940,434</u>	<u>816,938</u>	<u>67,776</u>	<u>66,950</u>
Less:				
<b>Current liabilities</b>				
Trade and other payables	312,629	366,802	757	173
Due to related parties	832	730	832	730
Short-term borrowings	373,308	192,753	-	-
Current income tax payable	2,317	2,317	-	-
	<u>689,086</u>	<u>562,602</u>	<u>1,589</u>	<u>903</u>
<b>Net current assets</b>	<u>251,348</u>	<u>254,336</u>	<u>66,187</u>	<u>66,047</u>
<b>Net assets</b>	<u>403,399</u>	<u>411,101</u>	<u>287,604</u>	<u>287,464</u>
<b>Shareholders' equity</b>				
Share capital	149,488	149,488	149,488	149,488
Share premium	130,298	130,298	130,298	130,298
Statutory reserve	15,662	15,662	-	-
Foreign currency translation reserve	6,708	5,743	6,708	6,267
Accumulated profits	101,243	109,910	1,110	1,411
	<u>403,399</u>	<u>411,101</u>	<u>287,604</u>	<u>287,464</u>

**1(b)(ii) Aggregate amount of Group's borrowings and debt securities.****Amount repayable in one year or less, or on demand**

(RMB'000)	As at 30 June 2008		As at 31 December 2007	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loans	257,381	-	159,795	-
- trust receipts	115,927	-	32,958	-
	<u>373,308</u>	<u>-</u>	<u>192,753</u>	<u>-</u>

**Amount repayable after one year**

None.

**Details of any collateral**

The bank loan of RMB70 million is secured by a mortgage over two of the Group's refrigerated storage tanks, a personal guarantee given by Mr Liang Guo Zhan (Executive Chairman) and a corporate guarantee given by Chaozhou Huafeng Refining Co., Ltd., a related party.

The remaining short-term loans of RMB187.4 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facilities are also secured by a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

**1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**UNAUDITED CASH FLOW STATEMENTS**

(RMB'000)	Second Quarter Ended	
	30 June 2008	30 June 2007
<b>Cash flows from operating activities</b>		
Profit before income tax	100	15,605
Adjustments for:		
Depreciation of property, plant and equipment	2,346	2,369
Fair value gain of financial assets	(1,065)	-
Interest income	(2,538)	(164)
Interest expense	5,713	2,781
Operating profits before working capital changes	4,556	20,591
Working capital changes:		
(Increase) decrease in:		
Inventories	(147,110)	(16,197)
Trade and other receivables	42,340	(18,425)
Due from related parties	(56,005)	(48,636)
Increase (decrease) in:		
Trade and other payables	206,636	59,853
Due to related parties	102	1,486
Cash from (used in) operations	50,519	(1,328)
Tax paid	-	(946)
Interest paid	(5,713)	(2,781)
Interest received	2,538	164
Net cash flows from (used in) operating activities	47,344	(4,891)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(35)
(Increase) decrease in fixed deposits pledged	(201,078)	101,890
Net cash flows (used in) from investing activities	(201,078)	101,855
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	198,504	-
Repayment of bank borrowings	(91,028)	(15,194)
Dividends paid	(11,307)	(27,935)
Net cash flows from (used in) financing activities	96,169	(43,129)
Exchange differences arising from translation of foreign entities	965	(462)
<b>Net (decrease) increase in cash and bank balances</b>	(56,600)	53,373
<b>Cash and bank balances at beginning of the financial period</b>	71,876	54,415
<b>Cash and bank balances at end of the financial period</b>	15,276	107,788

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated profits	Total
<b>Group</b>						
<b>Balance at 1 January 2007</b>	149,488	130,298	9,454	4,807	83,663	377,710
Exchange differences arising from translation of foreign entities	-	-	-	9	-	9
Profit for the financial period	-	-	-	-	14,449	14,449
Final dividends declared	-	-	-	-	(27,935)	(27,935)
<b>Balance at 31 March 2007</b>	149,488	130,298	9,454	4,816	70,177	364,233
Exchange differences arising from translation of foreign entities	-	-	-	(462)	-	(462)
Profit for the financial period	-	-	-	-	15,605	15,605
<b>Balance at 30 June 2007</b>	149,488	130,298	9,454	4,354	85,782	379,376

(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated profits	Total
<b>Group</b>						
<b>Balance at 1 January 2008</b>	149,488	130,298	15,662	5,743	109,910	411,101
Profit for the financial period	-	-	-	-	3,233	3,233
<b>Balance at 31 March 2008</b>	149,488	130,298	15,662	5,743	113,143	414,334
Exchange differences arising from translation of foreign entities	-	-	-	965	-	965
Profit for the financial period	-	-	-	-	100	100
Final dividends declared	-	-	-	-	(12,000)	(12,000)
<b>Balance at 30 June 2008</b>	149,488	130,298	15,662	6,708	101,243	403,399

(RMB'000)	Share capital	Share premium	Foreign currency translation reserve	Accumulated profits	Total
<b>Company</b>					
<b>Balance at 1 January 2007</b>	149,488	130,298	4,807	(1,421)	283,172
Exchange differences arising from translation of foreign entities	-	-	9	-	9
Profit for the financial period	-	-	-	32,844	32,844
Final dividends declared	-	-	-	(27,935)	(27,935)
<b>Balance at 31 March 2007</b>	149,488	130,298	4,816	3,488	288,090
Exchange differences arising from translation of foreign entities	-	-	(410)	-	(410)
Profit attributable to equity holders	-	-	-	171	171
<b>Balance at 30 June 2007</b>	149,488	130,298	4,406	3,659	287,851

(RMB'000)	Share capital	Share premium	Foreign currency translation reserve	Accumulated profits	Total
<b>Company</b>					
<b>Balance at 1 January 2008</b>	149,488	130,298	6,267	1,411	287,464
<b>Balance at 31 March 2008</b>	149,488	130,298	6,267	1,411	287,464
Exchange differences arising from translation of foreign entities	-	-	441	-	441
Profit attributable to equity holders	-	-	-	11,699	11,699
Final dividends declared	-	-	-	(12,000)	(12,000)
<b>Balance at 30 June 2008</b>	149,488	130,298	6,708	1,110	287,604

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no new shares issued in the second quarter ended 30 June 2008 and no outstanding convertibles or treasury shares held as at 30 June 2008 and 30 June 2007.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The Company's total issued shares as at 30 June 2008 and as at 31 December 2007 was 383,288,000 ordinary shares of US\$0.05 each fully paid.

**1(d)(iv) A statement showing all sales, transfers disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

None.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have neither been audited nor reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computation as stated in the audited financial statements for the year ended 31 December 2007, except for the adoption of the applicable new/revised International Financial Reporting Standards ("IFRSs") which became effective for the financial year beginning on or after 1 January 2008. The adoption of these new/revised IFRSs did not give rise to significant changes to the financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

None.



6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Second quarter ended		Six months ended	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
EPS – basic (RMB cents)	0.03	4.07	0.87	7.84

Basic earnings per ordinary share for the second quarter and six months ended 30 June 2008 and 30 June 2007 have been calculated based on the weighted average share capital of 383,288,000 shares.

Diluted earnings per share for the above periods have not been calculated as no diluting events occurred during these periods.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	As at 30 June 2008	As at 31 December 2007	As at 30 June 2008	As at 31 December 2007
NAV per share (RMB)	1.05	1.07	0.75	0.75

The net asset values per ordinary share as at 30 June 2008 and 31 December 2007 are calculated using the Company's and Group's net asset values as at the end of each period divided by the outstanding share capital of 383,288,000 ordinary shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**  
**(a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**Review of the Group's Performance for the second quarter ended 30 June 2008 ("2Q2008") as compared to that for the second quarter ended 30 June 2007 ("2Q2007")**

**Revenue**

Revenue recorded a decrease of approximately RMB81.3 million or 14.8% from RMB550.4 million in 2Q2007 to RMB469.1 million in 2Q2008 due mainly to decline in sales of LPG from 112,554 tonnes in 2Q2007 to 73,757 tonnes in 2Q2008. This was mainly attributed to the high international crude oil price and corresponding high energy cost faced by the manufacturing sector which caused end users to switch to alternative cheaper fuel. In addition, the Group also faced competition from PRC domestic LPG suppliers.

**Gross profit**

Gross profit decreased by RMB16.1 million or 52.2% from RMB30.8 million in 2Q2007 to RMB14.7 million in 2Q2008. Gross profit margin decreased from 5.6% to 3.1% due mainly to

higher import price of LPG, which we did not pass on completely to our customers and lower selling prices quoted for our LPG in a bid to compete with the local LPG distributors.

### **Other operating income**

Other operating income increased by RMB6.3 million or 85.2% from RMB7.5 million in 2Q2007 to RMB13.8 million in 2Q2008 due mainly to an increase in interest income of RMB2.4 million and foreign exchange gain of RMB3.5 million resulting from the appreciation of RMB against USD as the Group's purchases and borrowings were mainly denominated in USD.

### **Operating expenses**

Selling and distribution expenses increased by RMB2.2 million or 14.4% in 2Q2008 due mainly to the increase in sea freight expenses with higher fuel costs faced by the delivery vessels.

Administrative expenses increased marginally by RMB0.3 million or 6.9% in 2Q2008 primarily attributed to the increase in staff cost and other office expenses.

Finance costs increased by approximately RMB3.4 million or 117.0% in 2Q2008 due mainly to the increase in interest expenses arising from additional bank borrowings.

### **Profit attributable to equity holders**

As a result of the above, profit attributable to equity holders recorded a decrease of approximately RMB15.5 million from RMB15.6 million in 2Q2007 to RMB0.1 million in 2Q2008.

**(b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Review of the Group's Financial Position as at 30 June 2008 and the Group's Financial Position as at 31 December 2007**

Current assets increased by RMB123.5 million or 15.1% from RMB816.9 million as at 31 December 2007 to RMB940.4 million as at 30 June 2008. This was due mainly to the increase in trade and other receivables of RMB27.4 million, amount due from related parties of RMB37.1 million and fixed deposits of RMB101.4 million which were partially offset by the decrease in cash and bank balances of RMB38.3 million. The increase in trade and other receivables was attributed to the sales made during the end of June 2008.

Current liabilities increased by RMB126.5 million or 22.5% to RMB689.1 million as at 30 June 2008 owing largely to the increase in short-term borrowings of RMB180.5 million which was partially offset by the decrease in trade and other payables of RMB54.2 million. This was largely due to the increase in USD-denominated loans to settle trade payments.

### **Review of the Group's Cash Flow Statements for 2Q2008**

Net cash flows from operating activities amounted to RMB47.3 million mainly due to cash inflows from working capital requirements. This was arose from the increase in trade and other payables of RMB206.6 million and decrease in trade and other receivables of RMB42.3 million, which were partially offset by the increase in inventories and amount due from related parties of RMB147.1 million and RMB56.0 million respectively. Increase in inventories was due to more domestic LPG procured during the month of June 2008 which resulted in the increase in the trade payables. The increase in amount due from related parties arose from more sales made to Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.

Net cash flows used in investing activities amounted to RMB201.1 million mainly due to the increase in fixed deposits.

Net cash flows from financing activities during the period amounted to RMB96.2 million mainly due to net proceeds from bank borrowings amounting to RMB107.5 million, which was partially offset by dividend payment of RMB11.3 million for the financial year ended 31 December 2007.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The PRC government is committed to reducing pollution emissions by 10% to be achieved in the five-year period from 2006 to 2010. The government is likely to promote the usage of LPG which is one of the cleaner and more efficient alternative energy sources.

Notwithstanding the above, in view of the decline in PRC industrial demand and increase in domestic competition, the directors expect the business environment to continue to be challenging.

To counter the intense competition from domestic LPG suppliers, we are considering procuring more domestic LPG from PRC's reputable coastline refining facilities to meet the demands of consumers that do not require high quality LPG while maintaining a certain level of imported LPG to serve our high end customers for the remainder of the year.

Additionally, the Group is considering expanding into the production of Dimethyl Ether ("DME"), an alternative energy source which can be used as a blender stock for the production of LPG in an attempt to lower its LPG cost.

**11. Dividend**

**(a) Current Financial Period Reported On**

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended for the second quarter ended 30 June 2008.

**13. Summary of Interested Person Transactions for the second quarter ended 30 June 2008.**

The aggregate value of interested person transactions for the second quarter ended 30 June 2008 is as follows:

Name of interested person	Aggregate value of all interested person transactions for second quarter ended 30 June 2008 (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
<b>Chaozhou Huafeng (Group) Incorporation Ltd</b>			
◦ Lease of LPG transportation vehicles	-	413	413
<b>Chaozhou Huafeng (Group) Ltd</b>			
◦ Lease of LPG transportation vehicles	-	-	73
<b>Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.</b>			
◦ Sale of LPG	-	206,185	206,185
<b>Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.</b>			
◦ Lease of storage tankers	-	979	979
<b>Chaozhou Huafeng Refining Co., Ltd</b>			
◦ Lease of port terminals, land use rights, office premises and staff dormitory	-	1,231	1,231
◦ Repayment of advances / loans	(1,924)	-	-
◦ Collection of cash receipt on behalf of Chaozhou Ouhua	5,350	-	-

**14. Update on utilization of IPO Proceeds**

As at the date of this announcement, the net proceeds from the Company's initial public offering has been utilised as follows:

Use of IPO proceeds	Amount allocated \$'000	Amount utilised \$'000	Balance \$'000
To expand sales network in Guangdong, Jiangxi, Hainan, Zhejiang and Fujian Provinces	8,000	178	7,822
To enhance our production facility and production process	4,000	2,216	1,784
General working capital	18,500	18,500	-
	30,500	20,894	9,606

**15. Confirmation pursuant to Rule 705(4) of the Listing Manual of the SGX-ST**

We, Liang Guo Zhan and Guo Shao Kai, being Directors of Ouhua Energy Holdings Limited ("the Company"), do hereby confirm, for and on behalf of the Board of Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements for the second quarter ended 30 June 2008 to be false or misleading in any material aspect.

For and on behalf of the Board of Directors  
of Ouhua Energy Holdings Limited

Liang Guo Zhan  
Executive Chairman

Guo Shao Kai  
Executive Director

**BY ORDER OF THE BOARD**

**Liang Guo Zhan**  
Executive Chairman  
11 August 2008