



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 2009

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 INCOME STATEMENT FOR THE SECOND QUARTER AND FIRST HALF ENDED 30 JUNE 2009

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2009	30 June 2008	% change	30 June 2009	30 June 2008	% change
Revenue	468,136	469,139	(0.21)%	835,550	856,187	(2.41)%
Cost of sales	(442,689)	(454,395)	(2.58)%	(805,564)	(824,611)	(2.31)%
Gross profit	25,447	14,744	72.59%	29,986	31,576	(5.04)%
Other operating income	1,390	13,830	(89.95)%	9,205	25,696	(64.18)%
Selling and distribution expenses	(14,411)	(17,169)	(16.06)%	(28,000)	(29,979)	(6.60)%
Administrative expenses	(6,268)	(4,922)	27.35%	(10,452)	(9,661)	8.19%
Other operating expenses	(191)	13	n.m.	(258)	(703)	(63.30)%
Finance costs	(2,926)	(6,396)	(54.25)%	(6,478)	(13,596)	(52.35)%
Profit before income tax	3,041	100	n.m.	(5,997)	3,333	(279.93)%
Income tax	-	-	-	-	-	-
Profit for the financial period	3,041	100	n.m.	(5,997)	3,333	(279.93)%

STATEMENT OF COMPREHENSIVE INCOME/(EXPENSES) FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2009

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)	% change	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)	% change
Profit for the financial period	3,041	100	n.m.	(5,997)	3,333	(279.93)%
Other comprehensive income						
Foreign currency translation differences	(550)	-	n.m.	(550)	965	(156.99)%
Total comprehensive income/(expenses) for the period	2,491	100	n.m.	(6,547)	4,298	(252.33)%

Notes:

- (1) The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS").
- (2) In accordance with the new PRC Corporate Income Tax Law, the applicable income tax rate for all PRC domestic enterprises and Foreign Investment Enterprises is 25% with effect from 1 January 2008. The Company's subsidiary, Chaozhou Ouhua Energy Co., Ltd. was incorporated as a wholly foreign owned enterprise and is able to enjoy full exemption from PRC income tax for the first two years commencing from its first profitable year (FY2007) and thereafter entitled to a 50% exemption from the PRC income tax 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		% change	Six months ended		% change
	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)		30 June 2009 (Unaudited)	30 June 2008 (Unaudited)	
Depreciation of property, plant and equipment	(2,599)	(2,346)	10.78%	(5,277)	(4,715)	11.92%
Interest expense	(2,926)	(5,713)	(48.78)%	(6,478)	(12,893)	(49.76)%
Interest income	1,125	2,538	(55.67)%	2,502	4,669	(46.41)%
Foreign exchange (loss)/gain	(157)	9,031	(101.74)%	5,826	19,152	(69.58)%
Fair value gain on currency swap contracts	116	1,065	(89.11)%	116	1,065	(89.11)%

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.

STATEMENT OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) As at 30 June 2009	(Audited) As at 31 December 2008	(Unaudited) As at 30 June 2009	(Audited) As at 31 December 2008
Non-current assets				
Property, plant and equipment	198,426	203,341	-	-
Investments in subsidiaries	-	-	284,277	284,277
Trade receivables	1,974	2,114	-	-
Deferred tax assets	5,557	5,557	-	-
	<u>205,957</u>	<u>211,012</u>	<u>284,277</u>	<u>284,277</u>
Current assets				
Inventories	110,450	103,817	-	-
Trade and other receivables	49,157	31,314	432	432
Derivative financial instruments	2,468	2,352	-	-
Due from subsidiaries	-	-	348	859
Due from related parties	62,533	74,730	-	179
Pledged fixed deposits	276,482	200,861	-	-
Cash and cash equivalents	46,748	213,567	39	135
	<u>547,838</u>	<u>626,641</u>	<u>819</u>	<u>1,605</u>
Less:				
Current liabilities				
Trade and other payables	81,044	207,022	625	625
Due to a related party	5,995	683	683	683
Short-term borrowings	315,115	271,760	-	-
Income tax payables	2,317	2,317	-	-
	<u>404,471</u>	<u>481,782</u>	<u>1,308</u>	<u>1,308</u>
Net current assets	<u>143,367</u>	<u>144,859</u>	<u>(489)</u>	<u>297</u>
Net assets	<u>349,324</u>	<u>355,871</u>	<u>283,788</u>	<u>284,574</u>
Shareholders' equity				
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	5,318	5,868	6,188	6,738
Accumulated profits (losses)	48,558	54,555	(2,186)	(1,950)
Equity attributable to equity holders of the Company	<u>349,324</u>	<u>355,871</u>	<u>283,788</u>	<u>284,574</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 2009		As at 31 December 2008	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loan	111,566	-	145,635	-
- trust receipts	203,549	-	126,125	-
	<u>315,115</u>	<u>-</u>	<u>271,760</u>	<u>-</u>

Amount repayable after one year

None.

Details of any collateralAs at 30 June 2009

The short-term loans of RMB 28.0 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 related parties.

The short-term loans amounting to RMB 83.6 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 203.5 million is secured by a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

As at 31 December 2008

The short-term loans of RMB 145.6 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 126.1 million is secured by a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

The loan facility of RMB 100 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 several related parties. The Group had not used this facility as at year end.

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

STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

UNAUDITED CASH FLOW STATEMENTS

(RMB'000)	Second Quarter Ended	
	30 June 2009	30 June 2008
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	3,041	100
Adjustments for:		
Depreciation of property, plant and equipment	2,599	2,346
Fair value gain of financial assets	(116)	(1,065)
Interest income	(1,125)	(2,538)
Interest expense	2,926	5,713
Operating profits before working capital changes	7,325	4,556
Working capital changes:		
(Increase) decrease in:		
Inventories	(34,976)	(147,110)
Trade and other receivables	(6,853)	42,340
Due from related parties	(11,699)	(56,005)
Increase (decrease) in:		
Trade and other payables	(4,867)	206,636
Due to related parties	5,312	102
Cash from (used in) operations	(45,757)	50,519
Interest paid	(3,799)	(5,713)
Interest received	281	2,538
Net cash flows (used in) from operating activities	(49,275)	47,344
Cash flows from investing activities		
Purchase of property, plant and equipment	(309)	-
Increase in fixed deposits pledged	(83,002)	(201,078)
Net cash flows used in investing activities	(83,311)	(201,078)
Cash flows from financing activities		
Proceeds from bank borrowings	377,676	198,504
Repayment of bank borrowings	(310,622)	(91,028)
Dividends paid	-	(11,307)
Net cash flows from financing activities	67,054	96,169
Exchange differences arising from translation of foreign entities	(550)	965
Net decrease in cash and bank balances	(66,082)	(56,600)
Cash and bank balances at beginning of the financial period	112,830	71,876
Cash and bank balances at end of the financial period	46,748	15,276

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.

<u>Group</u>	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated profits	Total equity
(RMB'000)						
Balance at 1 January 2008	149,488	130,298	15,662	5,743	109,910	411,101
Total comprehensive income for January to March 2008	-	-	-	-	3,233	3,233
Balance at 31 March 2008	149,488	130,298	15,662	5,743	113,143	414,334
Total comprehensive income for April to June 2008	-	-	-	965	100	1,065
Final dividends declared	-	-	-	-	(12,000)	(12,000)
Balance at 30 June 2008	149,488	130,298	15,662	6,708	101,243	403,399
Total comprehensive expenses for July to December 2008	-	-	-	(840)	(46,688)	(47,528)
Balance at 31 December 2008	149,488	130,298	15,662	5,868	54,555	355,871
Total comprehensive expenses for January to March 2009	-	-	-	-	(9,038)	(9,038)
Balance at 31 March 2009	149,488	130,298	15,662	5,868	45,517	346,833
Total comprehensive (expenses)/income for April to June 2009	-	-	-	(550)	3,041	2,491
Balance at 30 June 2009	149,488	130,298	15,662	5,318	48,558	349,324

<u>Company</u>					
(RMB'000)	Share capital	Share premium	Foreign currency translation reserve	Accumulated profits/ (losses)	Total equity
Balance at 1 January 2008	149,488	130,298	6,267	1,411	287,464
Total comprehensive income for January to March 2008	-	-	-	-	-
Balance at 31 March 2008	149,488	130,298	6,267	1,411	287,464
Total comprehensive income for April to June 2008	-	-	441	11,699	12,140
Final dividends declared	-	-	-	(12,000)	(12,000)
Balance at 30 June 2008	149,488	130,298	6,708	1,110	287,604
Total comprehensive income/(expenses) for July to December 2008	-	-	30	(3,060)	(3,030)
Balance at 31 December 2008	149,488	130,298	6,738	(1,950)	284,574
Total comprehensive expenses for January to March 2009	-	-	-	(107)	(107)
Balance at 31 March 2009	149,488	130,298	6,738	(2,057)	284,467
Total comprehensive expenses for April to June 2009	-	-	(550)	(129)	(679)
Balance at 30 June 2009	149,488	130,298	6,188	(2,186)	283,788

- 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 2009 and no outstanding convertibles or treasury shares held as at 30 June 2009 and 30 June 2008.

- 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 proceeding year.**

The Company's total issued shares as at 30 June 2009 and 31 December 2008 is 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.**

Not applicable.

- 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 2008.

The new and revised International Financial Reporting Standards ("IFRSs") which took effect from the current financial year are now assessed to have no material effect to the results on the opening balances to the accumulated profit of the Group and accumulated loss of the Company for the financial year ending 31 December 2009.

- 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/(Loss) 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:-

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	Second quarter ended		Six months ended	
	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)
EPS – basic (RMB cents)	0.79	0.03	(1.56)	0.87

Basic earnings per ordinary share for the second quarter and six months ended 30 June 2009 and 30 June 2008 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 the total number of issued shares excluding treasury shares 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 2009 (Unaudited)	As at 31 December 2008 (Audited)	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)
NAV per share (RMB cents)	91.14	92.85	74.04	74.25

The net asset values per ordinary share as at 30 June 2009 and 31 December 2008 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 2009 ("2Q2009") as compared to that for the second quarter ended 30 June 2008 ("2Q2008")

Revenue

Revenue decreased by approximately 0.2% or RMB 1.0 million in 2Q2009 despite the increase in sales volume from 73,757 tonnes in 2Q2008 to 153,907 tonnes in 2Q2009. Selling price hit a record low in the latest five years in the second quarter of 2009. The drop in selling prices resulted from the fall in international crude oil prices as well as price competition amongst the local LPG distributors.

Gross profit

Gross profit increased by RMB 10.7 million or 72.6% in 2Q2009 as compared to 2Q2008. Correspondingly, gross profit margin rose from 3.1% to 5.4% on the back of increased sales volume and lower import prices of butane and propane owing to the drop in international crude oil prices.

Other operating income

Other operating income decreased by RMB 12.4 million or 90.0% mainly due to a reversal of foreign exchange gain of RMB 9.0 million to foreign exchange loss of RMB 0.2 million as well as the decrease in interest income of RMB 1.4 million.

Operating expenses

Operating expenses decreased by RMB 4.7 million or 16.4% due mainly to:

- (i) Selling and distribution expenses decreased by approximately RMB 2.8 million or 16.1% mainly due to a decrease in marine freight as vessel rental charge decreased due to the expiry of lease contract for one vessel in August 2008 and drop in diesel cost.
- (ii) Administrative expenses increased by RMB 1.3 million or 27.4% mainly due to increase in bank administrative fees, port charges and other taxes related to sales volume growth.
- (iii) Finance costs decreased by approximately RMB 3.5 million or 54.3% mainly due to a reduction in bank loan interest rates.

Profit attributable to equity holders

As a result of the above, profit attributable to equity holders recorded an increase of approximately RMB 2.9 million from RMB 0.1 million in 2Q2008 to RMB 3.0 million in 2Q2009.

(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 2009 and the Group's Financial Position as at 31 December 2008

Current assets decreased by approximately RMB 78.8 million or 12.6% from RMB 626.6 million as at 31 December 2008 to RMB 547.8 million as at 30 June 2009 mainly due to decrease in cash and cash equivalents of RMB 166.8 million and amount due from related parties of RMB 12.2 million partially offset by the increase in inventories of RMB 6.6 million, trade and other receivables of RMB 17.8 million and fixed deposits of RMB 75.6 million. The decrease in cash and cash equivalents was mainly due to repayment of trade and other payables. Trade and other receivables increased as a result of higher sales and longer credit terms granted to overseas customers.

Current liabilities decreased by approximately RMB 77.3 million or 16.0% from RMB 481.8 million as at 31 December 2008 to RMB 404.5 million as at 30 June 2009 mainly due to decrease in trade and other payables of RMB 126.0 million partially offset by the increase in bank borrowings and amount due to related parties of RMB 43.4 million and RMB 5.3 million respectively. Trade and other payables decreased with payments made to suppliers while amount due to related parties increased as a result of accrued rental charges due to related parties.

Review of the Group's Cash Flow Statements for 2Q2009

Net cash used in operating activities amounted to approximately RMB 49.3 million due mainly to profit before income tax of RMB 3.0 million, after adding back non-cash items of RMB 4.3 million offset by the working capital requirements of RMB 53.1 million and net interest paid of RMB 3.5 million. Cash outflows from working capital requirements arose from an increase in inventories of RMB 35.0 million, trade and other receivables of RMB 6.9 million, due from related parties of RMB 11.7 million and decrease in trade and other payables of RMB 4.9 million. The cash outflows were partially offset by cash inflows arising from the increase in amount due to related parties of RMB 5.3 million.

Net cash used in investing activities amounted to RMB 83.3 million mainly due to increase in pledged fixed deposits.

Net cash from financing activities amounted to RMB 67.1 million mainly due to proceeds from bank borrowings.

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

None.

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 demand and supply of LPG market is still weak due to the global recession. The rise of import costs of LPG will drive down direct imports and hence push up demand for domestic LPG.

11. **If a decision regarding dividend has been made:-**

- (a) ***Whether an interim (final) ordinary dividend has been declared (recommended)***

None.

- (b) ***(i) Amount per share in cents
(ii) Previous corresponding period in cents***

None.

- (c) ***Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).***

Not applicable.

- (d) ***The date the dividend is payable.***

Not applicable.

- (e) **The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

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 2009.

13. Summary of Interested Person Transactions for the second quarter ended 30 June 2009.

The aggregate values of interested person transactions for the second quarter ended 30 June 2009 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2009 (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	-	557	557
◦ Lease of LPG transportation vessel	1,479	-	-
Chaozhou Huafeng (Group) Ltd			
◦ Lease of LPG transportation vehicles	-	-	73
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
◦ Sale of LPG	-	131,535	131,535
◦ Advances/loans	4,570	-	-
◦ Repayment of advances/loans	(4,570)	-	-
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
◦ Lease of storage tankers	-	515	515
◦ Purchase of petrol for car usage	773	-	-
Chaozhou Huafeng Refining Co., Ltd			
◦ Lease of port terminals, land use rights, office premises and staff dormitory	-	1,231	1,231
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
◦ Purchase of petrol for car usage	13	-	-

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	1,500	6,500
To enhance our production facility and production process	4,000	4,000	-
General working capital	18,500	18,500	-
	30,500	24,000	6,500

15. Confirmation pursuant to Rule 705(5) of the Listing Manual of the SGX-ST

We, Liang Guo Zhan and Ye Tian Shun, 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 2009 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

Ye Tian Shun
Executive Director

BY ORDER OF THE BOARD

Liang Guo Zhan
Executive Chairman
14 August 2009