



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 2010

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 CONSOLIDATED INCOME STATEMENTS FOR THE SECOND QUARTER AND FIRST HALF YEAR ENDED 30 JUNE 2010

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2010	30 June 2009	% change	30 June 2010	30 June 2009	% change
Revenue	469,557	468,136	0.30%	828,638	835,550	(0.83)%
Cost of sales	(455,683)	(442,689)	2.94%	(797,888)	(805,564)	(0.95)%
Gross profit	13,874	25,447	(45.48)%	30,750	29,986	2.55%
Other operating income	7,843	1,390	464.24%	13,832	9,205	50.27%
Selling and distribution expenses	(11,772)	(14,411)	(18.31)%	(25,904)	(28,000)	(7.49)%
Administrative expenses	(6,474)	(6,268)	3.29%	(10,003)	(10,452)	(4.30)%
Other operating expenses	(403)	(191)	110.99%	(783)	(258)	203.49%
Finance costs	(1,350)	(2,926)	(53.86)%	(4,609)	(6,478)	(28.85)%
Profit before income tax	1,718	3,041	(43.51)%	3,283	(5,997)	154.74%
Income tax	-	-	-	-	-	-
Profit for the financial period	1,718	3,041	(43.51)%	3,283	(5,997)	154.74%

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2010

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	% change	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	% change
Profit for the financial period	1,718	3,041	(43.51)%	3,283	(5,997)	(154.74)%
Other comprehensive income						
Foreign currency translation differences	8	(550)	(101.45)%	9	(550)	(101.64)%
Total comprehensive income/(expenses) for the period	1,726	2,491	(30.71)%	3,292	(6,547)	(150.28)%

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. No income taxes expenses occurred since income tax credit was recognised based on the comprehensive loss in FY 2008.

1(a)(ii) Other information:

Unaudited statement of comprehensive (loss) before income tax has been arrived at after crediting/(charging):

(RMB'000)	Second quarter ended			Six months ended		
	<u>30 June 2010</u>	<u>30 June 2009</u>	% change	<u>30 June 2010</u>	<u>30 June 2009</u>	% change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Depreciation of property, plant and equipment	(2,525)	(2,599)	(2.85)%	(5,235)	(5,277)	(0.80)%
Interest expense	(1,240)	(3,259)	(61.95)%	(4,499)	(6,478)	(30.55)%
Interest income	2,309	2,300	0.39%	4,609	2,502	84.21%
Foreign exchange (loss)/gain	4,060	(157)	n.m.	5,802	5,826	(0.41)%
Fair value gain on currency swap contracts	412	116	255.17%	623	116	437.07%

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.

UNAUDITED STATEMENT OF FINANCIAL POSITION

(RMB'000)	Group		Company	
	(Unaudited) As at 30 June 2010	(Audited) As at 31 December 2009	(Unaudited) As at 30 June 2010	(Audited) As at 31 December 2009
Non-current assets				
Property, plant and equipment	207,857	211,352	-	-
Investments in subsidiaries	-	-	284,277	284,277
Trade receivables	2,066	2,066	-	-
Deferred tax assets	5,557	5,557	-	-
	<u>215,480</u>	<u>218,975</u>	<u>284,277</u>	<u>284,277</u>
Current assets				
Inventories	192,825	262,613	-	-
Trade and other receivables	59,905	45,780	-	-
Derivative financial instruments	373	-	-	-
Due from subsidiaries	-	-	-	13
Due from related parties	31,544	36,223	-	13
Pledged fixed deposits	190,000	285,819	-	-
Cash and cash equivalents	303,256	226,820	317	32
	<u>777,903</u>	<u>857,255</u>	<u>317</u>	<u>58</u>
Less:				
Current liabilities				
Trade and other payables	163,279	324,063	379	648
Due to subsidiaries	-	-	1,890	1,386
Due to a related party	2,024	683	2,024	683
Short-term borrowings	470,148	396,844	-	-
Income tax payables	2,317	2,317	-	-
	<u>637,768</u>	<u>723,907</u>	<u>4,293</u>	<u>2,717</u>
Net current assets	<u>140,134</u>	<u>133,348</u>	<u>(3,976)</u>	<u>(2,659)</u>
Net assets	<u>355,614</u>	<u>352,323</u>	<u>280,300</u>	<u>281,618</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	5,878	5,869	6,759	6,739
Accumulated profits (losses)	54,289	51,006	(6,245)	(4,907)
Equity attributable to equity holders of the Company	<u>355,614</u>	<u>352,323</u>	<u>280,300</u>	<u>281,618</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 2010		As at 31 December 2009	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loans	173,856	-	229,760	-
- trust receipts	296,292	-	167,084	-
	<u>470,148</u>	<u>-</u>	<u>396,844</u>	<u>-</u>

Amount repayable after one year

None.

Details of any collateralAs at 30 June 2010

The short-term loans of RMB 30.0 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 143.8 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 296.3 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 2009

The short-term loan of RMB 50.0 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 179.8 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 167.1 million is 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 CONSOLIDATED CASH FLOW STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

(RMB'000)	Second Quarter Ended	
	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)
Cash flows from operating activities		
Profit before income tax	1,718	3,041
Adjustments for:		
Depreciation of property, plant and equipment	2,525	2,599
Fair value gain of financial assets	(412)	(116)
Interest income	(2,309)	(1,125)
Interest expense	1,240	2,926
Operating profits before working capital changes	2,763	7,325
Working capital changes:		
(Increase) decrease in:		
Inventories	(145,323)	(34,976)
Trade and other receivables	(17,934)	(6,853)
Due from related parties	(16,822)	(11,699)
Increase (decrease) in:		
Trade and other payables	108,510	(4,867)
Due to related parties	1,341	5,312
Cash from (used in) operations	(67,660)	(45,757)
Interest paid	(864)	(3,799)
Interest received	3,662	281
Net cash flows (used in) from operating activities	(64,862)	(49,275)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,694)	(309)
Increase in fixed deposits pledged	65,896	(83,002)
Net cash flows used in investing activities	64,202	(83,311)
Cash flows from financing activities		
Proceeds from bank borrowings	389,301	377,676
Repayment of bank borrowings	(344,469)	(310,622)
Net cash flows from financing activities	44,832	67,054
Exchange differences arising from translation of foreign entities	8	(550)
Net decrease in cash and bank balances	44,181	(66,082)
Cash and bank balances at beginning of the financial period	259,075	112,830
Cash and bank balances at end of the financial period	303,256	46,748

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 2009	149,488	130,298	15,662	5,868	54,555	355,871
Total comprehensive income 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 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
Total comprehensive expenses for July to December 2009	-	-	-	551	2,448	2,999
Balance at 31 December 2009	149,488	130,298	15,662	5,869	51,006	352,323
Total comprehensive expenses for January to March 2010	-	-	-	1	1,565	1,566
Balance at 31 March 2010	149,488	130,298	15,662	5,870	52,571	353,889
Total comprehensive (expenses)/income for April to June 2010	-	-	-	8	1,718	1,726
Balance at 30 June 2010	149,488	130,298	15,662	5,878	54,289	355,614

<u>Company</u>	Share capital	Share premium	Foreign currency translation reserve	Accumulated profits/(losses)	Total equity
(RMB'000)					
Balance at 1 January 2009	149,488	130,298	6,738	(1,950)	284,574
Total comprehensive income for January to March 2009	--	-	-	(107)	(107)
Balance at 31 March 2009	149,488	130,298	6,738	(2,057)	284,467
Total comprehensive income for April to June 2009	-	-	(550)	(129)	(679)
Balance at 30 June 2009	149,488	130,298	6,188	(2,186)	283,788
Total comprehensive income/(expenses) for July to December 2008	-	-	551	(2,721)	(2,170)
Balance at 31 December 2009	149,488	130,298	6,739	(4,907)	281,618
Total comprehensive expenses for January to March 2010	-	-	-	(73)	(73)
Balance at 31 March 2010	149,488	130,298	6,739	(4,980)	281,545
Total comprehensive expenses for April to June 2010	-	-	20	(1,265)	(1,245)
Balance at 30 June 2010	149,488	130,298	6,759	(6,245)	280,300

- 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 2010 and no outstanding convertibles or treasury shares held as at 30 June 2010 and 30 June 2009.

- 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 2010 and 31 December 2009 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 new and revised International Financial Reporting Standards (IFRSs) which became effective for financial periods beginning on 1 April 2010. The adoption of those new and amended IFRSs did not give rise to significant change 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/(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 2010 (Unaudited)	30 June 2009 (Unaudited)	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)
EPS – basic (RMB cents)	0.45	0.79	0.86	(1.56)

Basic earnings per ordinary share for the second quarter and six months ended 30 June 2010 and 30 June 2009 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 2010 (Unaudited)	As at 31 December 2009 (Audited)	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Audited)
NAV per share (RMB cents)	92.78	91.92	73.13	73.47

The net asset values per ordinary share as at 30 June 2010 and 31 December 2009 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 2010 ("2Q2010") as compared to that for the second quarter ended 30 June 2009 ("2Q2009")

Revenue

Revenue increased by approximately 0.3% or RMB 1.4 million in 2Q2010 despite the decrease in sales volume from 153,907 tonnes in 2Q2009 to 88,581 tonnes in 2Q2010. The decline in sales quantity was mainly due to the slow economic recovery and increased competition from domestic producers. These factors resulted in weaker demand for imported LPG.

Gross profit

Gross profit decreased by RMB 11.6 million or 45.5% in 2Q2010 as compared to 2Q2009. Correspondingly, gross profit margin rose from 5.4% to 3.0% due to sustained higher costs of imports resulting in lower profit margin for importers.

Other operating income

Other operating income increased by RMB 6.5 million mainly due to foreign exchange gain from depreciation of Euro against RMB 4.1 million, fair value gain from derivatives of RMB 412K and increase in interest income of RMB 2.0 million because more cash and fixed deposits held on hand by the company .

Operating expenses

Operating expenses decreased by RMB 2.2 million or 10.6% due mainly to:

- (i) The decrease of Selling and distribution expenses by approximately RMB 2.6 million or 18.3% resulting mainly from a decrease in the marine freight due to the reduction in vessel rental charge. The lease for one of the vessels expired in April 2010 and was not renewed. In addition, there was a decrease in tugboat charges resulting from less imports in the first half of 2010.
- (ii) Administrative expenses increased by RMB 206K or 3.3% mainly due to increase of audit fees.
- (iii) Other Operating expenses increased by RMB 212K.

Finance cost

Finance costs decreased by approximately RMB 1.6 million or 53.9% mainly due to a reduction in bank loan interest rates.

Profit attributable to equity holders

As a result of the above, net profit attributable to equity holders recorded RMB 1.7 million in 2Q2010.

(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 2010 and the Group's Financial Position as at 31 December 2009

Current assets decreased by approximately RMB 79.4 million or 9.3% from RMB 857.3 million as at 31 December 2009 to RMB 777.9 million as at 30 June 2010 mainly due to the decrease in inventories of RMB 69.8 million, decrease in fixed deposits of RMB 95.8 million and decrease in amount due from related parties of RMB 4.7 million, partially offset by the increase of cash and cash equivalents of RMB 76.4 million as well as the increase of trade and other receivables of RMB 14.1 million.

Current liabilities decreased by approximately RMB 86.1 million or 11.9% from RMB 723.9 million as at 31 December 2009 to RMB 637.8 million as at 30 June 2010 mainly due to decrease in trade and other payables of RMB 160.8 million partially offset by the increase in bank borrowings of RMB 73.3 million.

Review of the Group's Cash Flow Statements for 2Q2010

Net cash used in operating activities amounted to approximately RMB 64.9 million due mainly to profit before income tax of RMB 1.7 million, after adding non-cash items of RMB 1.1 million, offset by the working capital requirements of RMB 70.4 million and net interest received of RMB 2.8 million. Cash outflows from working capital arose from an increase in inventories of RMB 145.3 million, trade and other receivables of RMB 17.9 million as well as amount due from related parties of RMB 17.0 million. The cash outflows were partially offset by the increase in trade and other payables of RMB 108.5 million and increase in amount due to related parties of RMB 1.3 million.

Net cash used in investing activities amounted to RMB 64.2 million mainly due to decrease in pledged fixed deposits.

Net cash from financing activities amounted to RMB 44.8 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 fluctuation of raw material import costs will have an impact on the profitability and performance of the Company.

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 2010.

13. Summary of Interested Person Transactions for the second quarter ended 30 June 2010.

The aggregate values of interested person transactions for the second quarter ended 30 June 2010 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2010 (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	-	448	448
◦ Lease of LPG transportation vessel	2,463	-	-
◦ Purchase of petrol for car usage	973		
Chaozhou Huafeng (Group) Ltd			
◦ Lease of LPG transportation vehicles	-	-	73
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
◦ Sale of LPG	-	191,651	191,651
◦ Advances/loans	-	-	-
◦ Repayment of advances/loans	-	-	-
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
◦ Lease of storage tankers	-	823	823
◦ Purchase of petrol for car usage	-	-	-
Chaozhou Huafeng Refining Co., Ltd			
◦ Lease of port terminals, land use rights, office premises and staff dormitory		1,354	1,354
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
◦ Purchase of petrol for car usage	-	-	23

14. 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 2010 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
13 August 2010