



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 2011

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 2011

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2011	30 June 2010	% change	30 June 2011	30 June 2010	% change
Revenue	589,938	469,557	25.64%	972,733	828,638	17.39%
Cost of sales	(566,463)	(455,683)	24.31%	(934,159)	(797,888)	17.08%
Gross profit	23,475	13,874	69.20%	38,574	30,750	25.44%
Other operating income	5,514	7,843	(29.70)%	9,654	13,832	(30.21)%
Selling and distribution expenses	(14,878)	(11,772)	26.38%	(22,591)	(25,904)	(12.79)%
Administrative expenses	(5,519)	(6,474)	(14.75)%	(9,912)	(10,003)	(0.91)%
Other operating expenses	(696)	(403)	72.70%	(1,809)	(783)	131.03%
Finance costs	(4,088)	(1,350)	202.81%	(7,455)	(4,609)	61.75%
Profit before income tax	3,808	1,718	121.65%	6,461	3,283	96.80%
Income tax	-	-	-	-	-	-
Profit for the financial period	3,808	1,718	121.65%	6,461	3,283	96.80%

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2011

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)	% change	30 June 2010 (Unaudited)	30 June 2009 (Unaudited)	% change
Profit for the financial period	3,808	1,718	121.65%	6,461	3,283	96.80%
Other comprehensive income						
Foreign currency translation differences	52	8	550.00%	90	9	900.00%
Total comprehensive income for the period	3,860	1,726	123.64%	6,551	3,292	99.00%

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:

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

(RMB'000)	Second quarter ended			Six months ended		
	<u>30 June 2011</u> (Unaudited)	<u>30 June 2010</u> (Unaudited)	% change	<u>30 June 2011</u> (Unaudited)	<u>30 June 2010</u> (Unaudited)	% change
Depreciation of property, plant and equipment	(3,639)	(2,525)	44.12%	(6,414)	(5,235)	22.52%
Interest expense	(4,088)	(1,240)	229.68%	(7,455)	(4,499)	65.70%
Interest income	1,496	2,309	(35.21)%	3,362	4,609	(27.06)%
Foreign exchange (loss)/gain	3,264	4,060	(19.61)%	5,511	5,802	(5.02)%
Fair value gain on currency swap contracts	239	412	(41.99)%	(405)	623	(165.01)%

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 2011	(Audited) As at 31 December 2010	(Unaudited) As at 30 June 2011	(Audited) As at 31 December 2010
Non-current assets				
Property, plant and equipment	239,749	227,092	-	-
Investments in subsidiaries	-	-	284,277	284,277
Trade receivables	1,854	1,854	-	-
Deferred tax assets	4,013	4,013	-	-
	<u>245,616</u>	<u>232,959</u>	<u>284,277</u>	<u>284,277</u>
Current assets				
Inventories	81,612	228,060	-	-
Trade and other receivables	40,863	39,431	-	-
Due from subsidiaries	-	-	-	-
Due from related parties	50,724	32,714	-	-
Notes receivables	40,000	45,000	-	-
Short term financial investments	1,010	-	-	-
Pledged fixed deposits	249,135	308,786	-	-
Cash and cash equivalents	115,893	42,365	136	961
	<u>579,237</u>	<u>696,356</u>	<u>136</u>	<u>961</u>
Less:				
Current liabilities				
Trade and other payables	29,028	40,795	965	1,136
Derivative financial instruments	-	1,376	-	-
Due to subsidiaries	-	-	2,489	1,843
Due to a related party	10,223	27,299	3,223	3,299
Short-term borrowings	416,985	497,778	-	-
Income tax payables	2,317	2,317	-	-
	<u>458,553</u>	<u>569,565</u>	<u>6,677</u>	<u>6,278</u>
Net current assets	<u>120,684</u>	<u>126,791</u>	<u>(6,541)</u>	<u>(5,317)</u>
Net assets	<u>366,300</u>	<u>359,750</u>	<u>277,736</u>	<u>278,960</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	6,024	5,934	6,998	6,861
Accumulated profits /(losses)	64,828	58,368	(9,048)	(7,687)
Equity attributable to equity holders of the Company	<u>366,300</u>	<u>359,750</u>	<u>277,736</u>	<u>278,960</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 2011		As at 31 December 2010	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loan	132,267	-	123,397	-
- trust receipts	284,718	-	374,381	-
	<u>416,985</u>	<u>-</u>	<u>497,778</u>	<u>-</u>

Amount repayable after one year

None.

Details of any collateralAs at 30 June 2011

The short-term loans of RMB 20.0 million is secured by a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

The short-term loans amounting to RMB 112.3 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 20.0 million is secured by a mortgage over four 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 trust receipt facility of RMB 264.7 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 2010

The short-term loan of RMB 39 million is secured by a mortgage over four 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 84.4 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB 244.6 million is secured by a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

The trust receipt facility of RMB 129.8 million is secured by a mortgage over four 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.

- 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 2011

(RMB'000)	Second Quarter Ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)
Cash flows from operating activities		
Profit before income tax	3,808	1,718
Adjustments for:		
Depreciation of property, plant and equipment	3,639	2,525
Fair value gain of financial assets	(239)	(412)
Interest income	(1,496)	(2,309)
Interest expense	4,088	1,240
Operating profits before working capital changes	9,800	2,763
Working capital changes:		
(Increase) decrease in:		
Inventories	75,518	(145,323)
Trade and other receivables	(8,080)	(17,934)
Due from related parties	12,992	(16,822)
Notes receivables	20,000	-
Increase (decrease) in:		
Trade and other payables	(248,022)	108,510
Due to related parties	(490)	1,341
Cash used in operations	(138,282)	(67,660)
Interest paid	(2,756)	(864)
Interest received	1,753	3,662
Net cash flows used in operating activities	(139,285)	(64,862)
Cash flows from investing activities		
Purchase of property, plant and equipment	(46)	(1,694)
Increase in fixed deposits pledged	5,730	65,896
Invest in the short term financial investments	(1,010)	-
Net cash flows from investing activities	4,674	64,202
Cash flows from financing activities		
Proceeds from bank borrowings	414,550	389,301
Repayment of bank borrowings	(229,288)	(344,469)
Dividends paid	-	-
Net cash flows from financing activities	185,262	44,832
Exchange differences arising from translation of foreign entities	52	8
Net increase in cash and bank balances	50,651	44,181
Cash and bank balances at beginning of the financial period	65,190	259,075
Cash and bank balances at end of the financial period	115,893	303,256

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 2010	149,488	130,298	15,662	5,869	51,006	352,323
Total comprehensive income 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 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
Total comprehensive income for July to December 2010	-	-	-	56	4,079	4,136
Balance at 31 December 2010	149,488	130,298	15,662	5,934	58,368	359,750
Total comprehensive income for January to March 2011	-	-	-	38	2,652	2,690
Balance at 31 March 2011	149,488	130,298	15,662	5,972	61,020	362,440
Total comprehensive income for April to June 2011	-	-	-	52	3,808	3,860
Balance at 30 June 2011	149,488	130,298	15,662	6,024	64,828	366,300

<u>Company</u>	Share capital	Share premium	Foreign currency translation reserve	Accumulated profits/(losses)	Total equity
(RMB'000)					
Balance at 1 January 2010	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 income/(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
Total comprehensive income/(expenses) for July to December 2010	-	-	102	(1,442)	(1,340)
Balance at 31 December 2010	149,488	130,298	6,861	(7,687)	278,960
Total comprehensive income/(expenses) for January to March 2011	-	-	57	(752)	(695)
Balance at 31 March 2011	149,488	130,298	6,918	(8,439)	278,265
Total comprehensive income/(expenses) for April to June 2011	-	-	80	(609)	(529)
Balance at 30 June 2011	149,488	130,298	6,998	(9,048)	277,736

- 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 2011 and no outstanding convertibles or treasury shares held as at 30 June 2011 and 30 June 2010.

- 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 2011 and 31 December 2010 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 2010.

- 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:-**

- (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 2011	30 June 2010	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EPS – basic (RMB cents)	0.99	0.45	1.69	0.86

Basic earnings per ordinary share for the second quarter and six months ended 30 June 2011 and 30 June 2010 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 2011	As at 31 December 2010	As at 30 June 2011	As at 31 December 2010
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
NAV per share (RMB cents)	95.57	93.86	72.46	72.78

The net asset values per ordinary share as at 30 June 2011 and 31 December 2010 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 2011 ("2Q2011") as compared to that for the second quarter ended 30 June 2010 ("2Q2010")

Revenue

Revenue increased by approximately 25.64% or RMB 120.4 million in 2Q2011 was mainly due to the increase in sales volume from 88,581 tonnes in 2Q2010 to 94,276 tonnes in 2Q2011, and the increased average unit selling price. The increase in sales quantity was mainly due to the economic recovery and the Group expanded the sales of domestically produced LPG.

Gross profit

Gross profit increased by RMB 9.6 million or 69.20% in 2Q2011 as compared to 2Q2010. Correspondingly, gross profit margin rose from 3.98% to 2.95% mainly due to the higher unit selling price and the expanded sales of domestically produced LPG.

Other operating income

Other operating income decreased by RMB2.3 million or 29.7% mainly due to foreign exchange gain decrease by RMB0.8 million, decrease in fair value gain from derivatives of RMB 0.3 million, interest income of 0.7 million and decrease in subsidy income of RMB0.3

million regarding technology update incentive from local government, and others such as interest income from non-current trade receivables of about 0.2 million.

Operating expenses

Operating expenses increased by RMB 2.4 million or 13.1% % due mainly to:

- (i) Selling and distribution expenses increased by approximately RMB3.1 million or 26.4% mainly due to a increase in marine freight of RMB2.9 million as the vessel of “华昌九号” has been put into use since May 2011, increase in the vehicle charge of RMB1.0 million, partially offset by the decrease in MV rental of RMB0.8 million.
- (ii) Administrative expenses decreased by approximately RMB1.0 million or 14.8% mainly due to decrease in consulting fees of RMB0.4 million, decrease in Letter of credit application and certificate fee of RMB0.5 million and decrease in the telephone charge of RMB0.2 million, partially offset by the increase in the salary of RMB0.3 million.
- (iii) Other Operating expenses increased by RMB0.3 million.

Finance cost

Finance costs increased by approximately RMB2.7 million or 202.8% mainly due to increase in bank loan interest rates.

Profit attributable to equity holders

As a result of the above, net profit attributable to equity holders recorded RMB3.8 million in 2Q2011.

(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 2011 and the Group's Financial Position as at 31 December 2010

Current assets decreased by approximately RMB117.1 million or 16.8% from RMB696.4 million as at 31 December 2010 to RMB579.2 million as at 30 June 2011 mainly due to the decrease in inventories of RMB146.4 million, decrease in fixed deposits of RMB59.7 million and decrease in notes receivables of RMB5.0 million, partially offset by the increase of cash and cash equivalents of RMB 73.5 million as well as the increase of amount due from related parties of RMB18.0 million.

Current liabilities decreased by approximately RMB111.0 million or 19.5% from RMB569.6 million as at 31 December 2010 to RMB458.6 million as at 30 June 2011 mainly due to decrease in trade and other payables of RMB13.1 million, decrease in Bank borrowings of RMB80.8 million and decrease in amounts due to related parties of RMB17.1 million.

Review of the Group's Cash Flow Statements for 2Q2011

Net cash used in operating activities amounted to approximately RMB139.3 million due mainly to profit before income tax of RMB3.8 million, after adding back non-cash items of RMB5.9 million, offset by the working capital requirements of RMB148.1 million and net interest paid of RMB1.0 million. Cash outflows from working capital arose from a decrease in trade and other receivables of RMB248.0 million as well as increase in trade and other receivables of RMB8.1 million. The cash outflows were partially offset by the decrease in inventories of RMB75.5 million and decrease in notes receivables of RMB20 million as well as decrease in amount due from related parties of RMB13.0 million.

Net cash from investing activities amounted to RMB4.7 million mainly due to decrease in pledged fixed deposits of RMB5.7, and partly used in investing in short term financial investments of RMB1.0 million.

Net cash from financing activities amounted to RMB185.3 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.

With the recovery of economy, domestic refineries expanded their production resulting domestically-produced LPG to be supplied at a lower cost. The Group faces competition from domestically produced LPG and have increased the purchase of domestically produced LPG to enhance competitiveness.

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 2011.

13. Summary of Interested Person Transactions for the second quarter ended 30 June 2011.

The aggregate values of interested person transactions for the second quarter ended 30 June 2011 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2011 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than \$100,000)
	RMB'000	RMB'000	RMB'000
Chaozhou Huafeng (Group) Incorporation Ltd			
◦ Lease of LPG transportation vehicles	-	-	402
◦ Lease of LPG transportation vessel	1,161	-	-
Chaozhou Huafeng (Group) Ltd			
◦ Lease of LPG transportation vehicles	-	-	73
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
◦ Sale of LPG	-	156,479	156,479
◦ Advances/loans	-	-	-
◦ Repayment of advances/loans	-	-	-
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
◦ Lease of storage tankers	-	944	944
◦ Purchase of petrol for car usage	-	-	-
Chaozhou Huafeng Refining Co., Ltd			
◦ Lease of port terminals, land use rights, office premises and staff dormitory	-	1,341	1,341
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
◦ Purchase of petrol for car usage	-	-	34
Huaneng International Trading Ltd			
◦ Lease of LPG transportation vessel	600	-	-

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 2011 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
12 August 2011