



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 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

UNAUDITED CONSOLIDATED INCOME STATEMENTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2014

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2014	30 June 2013	% change	30 June 2014	30 June 2013	% change
Revenue	633,771	311,634	103.37%	1,257,338	531,689	136.48%
Cost of sales	(628,235)	(319,938)	96.36%	(1,266,989)	(545,670)	132.19%
Gross loss	5,536	(8,304)	166.67%	(9,651)	(13,981)	(30.97)%
Other operating income	2,536	5,861	(56.73)%	4,132	9,956	(58.50)%
Selling and distribution expenses	(12,783)	(7,832)	63.22%	(23,845)	(14,055)	69.65%
Administrative expenses	(6,078)	(6,757)	(10.05)%	(11,139)	(10,309)	8.05%
Other operating expenses	(7,591)	(1,176)	545.49%	(16,145)	(2,862)	464.12%
Finance costs	(4,529)	(1,459)	210.42%	(8,550)	(4,051)	(111.06)%
Loss before income tax	(22,909)	(19,667)	16.48%	(65,198)	(35,302)	84.69%
Income tax	-	-	-	-	-	-
Loss for the financial period	(22,909)	(19,667)	16.48%	(65,198)	(35,302)	84.69%

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2014

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)	% change	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)	% change
Loss for the financial period	(22,909)	(19,667)	16.48%	(65,198)	(35,302)	84.69%
Other comprehensive income/(expenses)						
Foreign currency translation differences	(20)	1,131	(101.77)%	55	1,144	(95.19)%
Total comprehensive loss for the period	(22,929)	(18,536)	23.70%	(65,143)	(34,158)	90.97%

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 the 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 owned foreign enterprise and is able to enjoy full exemption from the 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 immediately following 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		
	30 June 2014	30 June 2013	% change	30 June 2014	30 June 2013	% change
	<u>(Unaudited)</u>	<u>(Unaudited)</u>		<u>(Unaudited)</u>	<u>(Unaudited)</u>	
Depreciation of property, plant and equipment	(3,400)	(3,463)	(1.82)%	(6,803)	(7,075)	(3.84)%
Interest expense	(4,532)	(1,459)	210.62%	(8,550)	(4,051)	111.06%
Interest income	299	548	(45.44)%	670	1,501	(55.36)%
Foreign exchange (loss) /gain	(6,357)	5,529	(214.98)%	(9,236)	(8,120)	13.74%
Fair value loss on currency swap contracts	(568)	(719)	(21.00)%	(5,566)	(168)	(3213.1)%

1(b)(i) A statement of financial position (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 2014	(Audited) As at 31 December 2013	(Unaudited) As at 30 June 2014	(Audited) As at 31 December 2013
Non-current assets				
Property, plant and equipment	197,164	203,417	-	-
Investments in subsidiaries	-	-	176,277	176,277
Trade receivables	0	1,739	-	-
	<u>197,164</u>	<u>205,156</u>	<u>176,277</u>	<u>176,277</u>
Current assets				
Inventories	113,740	117,400	-	-
Trade and other receivables	44,879	61,956	61	119
Due from related parties	64,209	41,806	-	-
Available-for-sale investments	1,010	1,010	-	-
Held-to-maturity investment	-	80,312	-	-
Pledged fixed deposits	55,881	76,161	-	-
Margin Deposit	5,812	11,577	5,812	11,577
Cash and cash equivalents	269,205	204,628	351	298
	<u>554,736</u>	<u>594,850</u>	<u>6,224</u>	<u>11,994</u>
Less:				
Current liabilities				
Trade and other payables	205,195	50,414	1,418	1,734
Notes payable	-	15,000	-	-
Due to subsidiaries	-	-	19,071	18,590
Due to a related party	4,023	3,922	4,023	3,922
Short-term borrowings	414,022	535,904	-	-
Derivative financial instruments	868	1,831	868	1,261
Income tax payables	2,317	2,317	-	-
	<u>626,425</u>	<u>609,388</u>	<u>25,380</u>	<u>25,507</u>
Net current liabilities	<u>(71,689)</u>	<u>(14,538)</u>	<u>(19,156)</u>	<u>(13,513)</u>
Net assets	<u>125,475</u>	<u>190,618</u>	<u>157,121</u>	<u>162,764</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	6,182	6,127	8,097	7,652
Accumulated losses	(176,155)	(110,957)	(130,762)	(124,674)
Equity attributable to equity holders of the Company	<u>125,475</u>	<u>190,618</u>	<u>157,121</u>	<u>162,764</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 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loan	0	-	102,950	-
- trust receipts	414,022	-	432,954	-
	<u>414,022</u>	<u>-</u>	<u>535,904</u>	<u>-</u>

Amount repayable after one year

None.

Details of any collateralAs at 30 June 2014

The trust receipt facility of RMB248.76 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 RMB165.26 million is secured by fixed deposits pledged with financial institutions.

As at 31 December 2013

The short-term loans amounting to RMB24.08 million are secured by fixed deposits pledged with financial institutions.

The trust receipt facility of RMB268.17 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 RMB140.7 million is secured by fixed deposits pledged with financial institutions.

1(c) A statement of cash flows (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 2014

(RMB'000)	Second Quarter Ended	
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
Cash flows from operating activities		
Loss	(22,909)	(19,667)
Adjustments for:		
Depreciation of property, plant and equipment	3,476	3,463
Fair value loss/(gain) of financial assets	(2,158)	719
Interest income	(299)	(548)
Interest expense	4,532	1,459
Operating loss before working capital changes	(17,358)	(14,574)
Working capital changes:		
(Increase) decrease in:		
Inventories	(55,380)	(8,799)
Trade and other receivables	16,180	(25,647)
Due from related parties	(9,271)	11,686
Increase (decrease) in:		
Trade and other payables	8,099	134,791
Due to related parties	(11)	109
Cash from/(used in) operations	(57,742)	97,566
Interest paid	(4,532)	(2,619)
Interest received	299	665
Net cash flows from/(used in) operating activities	(61,975)	95,612
Cash flows from investing activities		
Purchase of property, plant and equipment	(12)	(256)
Decrease /(increase) in fixed deposits pledged	30,646	(45,885)
Net cash flows (used in)/from investing activities	30,634	(46,141)
Cash flows from financing activities		
Proceeds from bank borrowings	462,633	185,369
Repayment of bank borrowings	(418,525)	(287,553)
Net cash flows (used in)/from financing activities	44,108	(102,184)
Exchange differences arising from translation of foreign entities	(20)	1,131
Net (decrease)/increase in cash and bank balances	12,747	(51,582)
Cash and bank balances at beginning of the financial period	256,458	152,037
Cash and bank balances at end of the financial period	269,205	100,455

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.

Unaudited statement of changes in equity for the six months ended 30 June 2014

<u>Group</u>						
(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated Profits/(losses)	Total equity
Balance at 1 January 2013	149,488	130,298	15,662	6,123	(59,617)	241,954
Total comprehensive income for January to March 2013	-	-	-	13	(15,634)	(15,621)
Balance at 31 March 2013	149,488	130,298	15,662	6,136	(75,251)	226,333
Total comprehensive (expenses) for April to June 2013	-	-	-	1,131	(19,667)	(18,536)
Balance at 30 June 2013	149,488	130,298	15,662	7,267	(94,918)	207,797
Total comprehensive income/(expenses) for July to December 2013	-	-	-	20	(24,212)	(24,192)
Balance at 31 December 2013	149,488	130,298	15,662	6,127	(110,957)	190,618
Total comprehensive income/(expenses) for January to March 2014				75	(42,289)	(42,214)
Balance at 31 March 2014	149,488	130,298	15,662	6,202	(153,246)	148,404
Total comprehensive income/(expenses) for April to June 2014				(20)	(22,909)	(22,929)
Balance at 30 June 2014	149,488	130,298	15,662	6,182	(176,155)	125,475

Company

(RMB'000)	Share capital	Share premium	Foreign currency translation reserve	Accumulated (losses)	Total equity
Balance at 1 January 2013	149,488	130,298	7,214	(12,868)	274,132
Total comprehensive income/(expenses) for January to March 2013	-	-	27	(193)	(166)
Balance at 31 March 2013	149,488	130,298	7,241	(13,061)	273,966
Total comprehensive (expenses) for April to June 2013	-	-	1,217	(2,272)	(1,055)
Balance at 30 June 2013	149,488	130,298	8,458	(15,333)	272,911
Total comprehensive income/(expenses) for July to December 2013	-	-	(806)	(109,341)	(110,147)
Balance at 31 December 2013	149,488	130,298	7,652	(124,674)	162,764
Total comprehensive income/(expenses) for January to March 2014	-	-	(288)	(5,267)	(5,555)
Balance at 31 March 2014	149,488	130,298	7,364	(129,941)	157,209
Total comprehensive income/ (expenses) for April to June 2014	-	-	733	(821)	(88)
Balance at 30 June 2014	149,488	130,298	8,097	(130,762)	157,121

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 2014 and no outstanding convertibles or treasury shares held as at 30 June 2014 and 30 June 2013.

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 number of the Company's total issued shares as at 30 June 2014 and 31 December 2013 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 2013.

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 2014 (Unaudited)	30 June 2013 (Unaudited)	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
EPS – basic (RMB cents)	(5.98)	(5.13)	(17.01)	(9.21)

Basic loss per ordinary share for the second quarter and six months ended 30 June 2014 and 30 June 2013 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 2014 (Unaudited)	As at 31 December 2013 (Audited)	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
NAV per share (RMB cents)	32.74	49.73	40.99	42.47

The net asset values per ordinary share as at 30 June 2014 and 31 December 2013 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 2014 ("2Q2014") as compared to that for the second quarter ended 30 June 2013 ("2Q2013")

Revenue

Revenue recorded an increase of approximately 103.37% or RMB332.14 million in 2Q2014 mainly due to the rise in sales from 65,368 tonnes in 2Q2013 to 114,850 tonnes in 2Q2014. There has been an increase of local demand caused by short supply of LPG from other areas of China. Secondly the Group had successfully developed the new sale segment in western China and Southeast Asia, which also contributed to the increase of sales volume in 2Q2014.

Gross loss

Gross profit increased by RMB13.84 million or 166.67% in 2Q2014 as compared to 2Q2013. Correspondingly, gross profit margin increased from negative 2.66% to 0.87% mainly due to the fluctuation of LPG purchase price was more stable in 2Q2014 as compared to 2Q2013.

Other operating income

Other operating income decreased by RMB3.3 million or 56.73% mainly due to foreign exchange gain decreasing by RMB3.9 million and the decrease in interest income of RMB 0.3 million, partially offset by subsidy expenses decreased by RMB0.6 million and increase in fair value gain of RMB0.57 million.

Operating expenses

Operating expenses increased by RMB10.69 million or 67.8% due mainly to:

- (i) Selling and distribution expenses increased by approximately RMB4.9 million or 63.22% mainly due to an increase in marine freight of RMB4.8 million, increase in the tugboat charge of RMB0.59 million and partially offset by decrease in vehicle charge of RMB0.65 million.
- (ii) Administrative expenses slightly decreased by RMB0.68 million or 10.05% mainly due to decrease in the decrease in the entertainment expenses of RMB0.2 million, and the decrease in the salary of RMB0.14 million, offset by the increase in the Letter of credit application and certificate fee of RMB0.34 million
- (iii) Other Operating expenses increased by RMB6.4 million or 545.5% mainly due to the increase in the foreign exchange loss of RMB6.1 million resulted from the depreciation of RMB against the US dollars.

Finance cost

Finance costs increased by approximately RMB3.07 million or 210.4% mainly due to increase in bank loan interest rates and the average loan amounts.

Loss attributable to equity holders

As a result of the above, net loss attributable to equity holders recorded RMB22.9 million in 2Q2014.

- (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 2014 and the Group's Financial Position as at 31 December 2013

Current assets decreased by approximately RMB40.11 million or 6.74% from RMB594.85 million as at 31 December 2013 to RMB554.74 million as at 30 June 2014 mainly due to the decrease in held-to-maturity investment of RMB80.31 million, the decrease in the trade and other receivables of RMB17.07 million and decrease in the pledged fixed deposits of RMB20.28 million, partially offset by increase in the amount due from related parties of RMB22.4 million, the increase of cash and cash equivalents of RMB64.6 million.

Current liabilities increased by approximately RMB17.04 million or 2.8% from RMB609.39 million as at 31 December 2013 to RMB626.43.0 million as at 30 June 2014 mainly due to the increase in the trade and other payables of RMB154.78 million and partially offset by the decrease in the bank borrowings of RMB121.88 million.

Review of the Group's Cash Flow Statements for 2Q2014

Net cash used in operating activities amounted to approximately RMB61.9 million mainly due to loss of RMB22.9 million, after adding back non-cash items of RMB9.2 million, the working capital outflows of RMB40.4 million and the net interest paid of RMB8.6 million. Cash outflows

from working capital arose from an increase in the inventories of RMB55.4 million and increase in the amounts due from related parties of RMB9.3 million. The cash outflows were partially offset by the increase in Trade and other payables of RMB8.1 million and the decrease in the Trade and other receivables of RMB16.2 million.

Net cash flows from investing activities amounted to RMB30.6 million mainly due to decrease in pledged fixed deposits of RMB30.6 million.

Net cash flows from financing activities amounted to RMB44.1 million mainly due to the amounts from bank borrowings of RMB462.6 million, partially offset by repayment of bank borrowings of RMB418.5 million.

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 global economic outlook may have improved recently but the LPG market remains to be challenging due to the strong competition from the alternative energy and weak demand from the Group's major customers, namely the ceramics manufactures in the People's Republic of China.

In view of the foregoing, the Group envisages that the next 12 months will bring challenges to the profitability and performance of the Group. The Group will continue to be prudent in managing business risks and controlling operating costs, and endeavour to explore more business opportunities.

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 2014.

13. Summary of Interested Person Transactions for the second quarter ended 30 June 2014.

The aggregate values of interested person transactions for the second quarter ended 30 June 2014 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2014 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than \$100,000) RMB'000
Chaozhou Huafeng (Group) Incorporation Ltd			
° Lease of LPG transportation vehicles	-	2,450	2,450
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
° Sale of LPG	-	47,301	47,301
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
° Lease of storage tankers	-	-	237
° 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	46	-	-

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, 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 2014 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 2014