



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 2017

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 2017

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2017	30 June 2016	% change	30 June 2017	30 June 2016	% change
Revenue	630,000	502,417	25.39%	1,241,757	1,055,720	17.62%
Cost of sales	(634,304)	(465,640)	36.22%	(1,193,605)	(988,205)	20.79%
Gross profit/(loss)	(4,304)	36,777	(111.70)%	48,152	67,515	(28.68)%
Other operating income	4,777	2,208	116.35%	6,570	4,001	64.21%
Selling and distribution expenses	(14,313)	(13,833)	3.47%	(26,543)	(25,995)	2.11%
Administrative expenses	(5,600)	(4,838)	15.75%	(9,867)	(10,152)	(2.81)%
Other operating expenses	(684)	(9,174)	(92.54)%	(1,868)	(11,395)	(83.61)%
Finance costs	(3,431)	(4,719)	(27.29)%	(7,806)	(10,775)	(27.55)%
Profit/(loss) before income tax	(23,555)	6,421	(466.84)%	8,638	13,199	(34.56)%
Income tax	-	-	-	-	-	-
Profit/(Loss) for the financial period	(23,555)	6,421	(466.84)%	8,638	13,199	(34.56)%

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

(RMB'000)	Second quarter ended			Six months ended		
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	% change	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	% change
Profit/(Loss) for the financial period	(23,555)	6,421	(466.84)%	8,638	13,199	(34.56)%
Other comprehensive income/(expenses)						
Foreign currency translation differences	106	(163)	(165.03)%	475	(133)	(457.14)%
Total comprehensive income/(loss) for the period	(23,449)	6,258	(474.70)%	9,113	13,066	(30.25)%

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 (2) 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 (3) 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 2017</u> <u>(Unaudited)</u>	<u>30 June 2016</u> <u>(Unaudited)</u>	% change	<u>30 June 2017</u> <u>(Unaudited)</u>	<u>30 June 2016</u> <u>(Unaudited)</u>	% change
Depreciation of property, plant and equipment	(3,745)	(3,728)	0.46%	(7,477)	(7,447)	0.40%
Interest expense	(3,430)	(4,719)	(27.29)%	(7,806)	(10,775)	(27.55)%
Interest income	34	27	25.93%	75	63	19.05%
Foreign exchange (loss) /gain	3,281	(8,377)	(139.17)%	3,828	(9,610)	(139.83)%
Investment gain	-	-	-	13.75	-	100%

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)	(Audited)	(Unaudited)	(Audited)
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
Non-current assets				
Property, plant and equipment	155,982	162,796	-	-
Investments in subsidiaries	-	-	156,277	156,277
	<u>155,982</u>	<u>162,796</u>	<u>156,277</u>	<u>156,277</u>
Current assets				
Inventories	162,298	159,004	-	-
Trade and other receivables	106,142	86,698	-	-
Due from related parties	89,375	86,495	-	-
Margin deposit	2,540	1,587	2,540	3,601
Investment	0	14,114	-	-
Pledged fixed deposits	12,310	17,960	-	-
Cash and cash equivalents	40,160	77,274	63	351
	<u>412,825</u>	<u>443,132</u>	<u>2,603</u>	<u>3,952</u>
Less:				
Current liabilities				
Trade and other payables	156,528	157,049	6,796	3,801
Due to subsidiaries	-	-	29,180	28,432
Due to a related party	-	4,496	-	4,496
Due to holding company	1,694	1,734	1,694	1,734
Short-term borrowings	272,784	313,961	-	-
Income tax payables	2,317	2,317	-	-
	<u>433,323</u>	<u>479,557</u>	<u>37,670</u>	<u>38,463</u>
Net current liabilities	<u>(20,498)</u>	<u>(36,425)</u>	<u>(35,067)</u>	<u>(34,511)</u>
Net assets	<u>135,484</u>	<u>126,371</u>	<u>121,210</u>	<u>121,766</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	5,930	5,455	3,390	3,662
Accumulated losses	(165,894)	(174,532)	(161,966)	(161,682)
Equity attributable to equity holders of the Company	<u>135,484</u>	<u>126,371</u>	<u>121,210</u>	<u>121,766</u>

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

(RMB'000)	As at 30 June 2017		As at 31 December 2016	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loan	140,600	-	161,000	-
- trust receipts	132,184	-	152,961	-
	<u>272,784</u>	<u>-</u>	<u>313,961</u>	<u>-</u>

Amount repayable after one (1) year:

None.

Details of any collateral:As at 30 June 2017

The short-term loan of RMB 140.6 million is secured by a mortgage over six (6) of the Group's refrigerated storage tanks, a vessel named 'Ouhua XI', a personal guarantee given by Mr Liang Guo Zhan (Executive Chairman) and a corporate guarantee given by several related parties.

The trust receipt facility of RMB 132.18 million is secured by fixed deposits and guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

As at 31 December 2016

The short-term loan of RMB 161 million is secured by a mortgage over six (6) of the Group's refrigerated storage tanks, a vessel named 'Ouhua XI', a personal guarantee given by Mr Liang Guo Zhan (Executive Chairman) and a corporate guarantee given by several related parties.

The trust receipt facility of RMB 152.96 million is secured by fixed deposits and guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

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 2017

(RMB'000)	Second quarter ended	
	30-Jun-17 (Unaudited)	30-Jun-16 (Unaudited)
Cash flows from operating activities		
Profit/(loss) before income tax	(23,555)	6,421
Adjustments for:		
Depreciation of property, plant and equipment	3,745	3,728
Interest income	(34)	(27)
Interest expense	3,430	4,719
Operating profit/(loss) before working capital changes	(16,414)	14,841
Working capital changes:		
Inventories	(100,648)	(15,609)
Trade and other receivables	90,310	(16,368)
Due from related parties	(1,100)	12,282
Trade and other payables	(18,785)	106,482
Margin deposit	47	(39)
Cash generated from operations	(46,590)	101,589
Interest paid	(3,394)	(4,864)
Interest received	34	27
Net cash generated from/(used in) operating activities	(49,950)	96,752
Cash flows from investing activities		
Purchase of property, plant and equipment	(328)	(86)
Net cash flows used in investing activities	(328)	(86)
Cash flows from financing activities		
Decrease in pledged fixed deposits	13,421	(7,066)
Receipt from related parties	11,969	-
Proceeds from bank borrowings	284,713	162,256
Repayment of bank borrowings	(276,190)	(253,194)
Net cash generated from/(used in) financing activities	33,913	(98,004)
Exchange differences arising from translation of foreign entities	106	(163)
Net decrease in cash and cash equivalents	(16,259)	(1,501)
Cash and cash equivalents at beginning of the financial period	56,419	100,252
Cash and cash equivalents at end of the financial period	40,160	98,751

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 (6) months ended 30 June 2017:

The Group

(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at 1 January 2016	149,488	130,298	15,662	5,854	(215,505)	85,797
Total comprehensive income for the period	-	-	-	476	8,638	9,114
Balance at 30 June 2016	149,488	130,298	15,662	6,330	(206,867)	94,911
Total comprehensive income/(loss) for the period	-	-	-	(875)	32,335	31,460
Balance at 1 January 2017	149,488	130,298	15,662	5,455	(174,532)	126,371
Total comprehensive income for the period	-	-	-	475	8,638	9,113
Balance at 30 June 2017	149,488	130,298	15,662	5,930	(165,894)	135,484

The Company

(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Balance at 1 January 2016	149,488	130,298	-	5,813	(159,981)	125,618
Total comprehensive loss for the period	-	-	-	(302)	(323)	(625)
Balance at 30 June 2016	149,488	130,298	-	5,511	(160,304)	124,993
Total comprehensive loss for the period	-	-	-	(1,849)	(1,378)	(3,227)
Balance at 1 January 2017	149,488	130,298	-	3,662	(161,682)	121,766
Total comprehensive loss for the period	-	-	-	(272)	(284)	(556)
Balance at 30 June 2017	149,488	130,298	-	3,390	(161,966)	121,210

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 the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 2017 and no outstanding convertibles or treasury shares held as at 30 June 2017 and 30 June 2016.

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 2017 and 31 December 2016 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.

1(d)(v) A statement showing all sales, transfers disposal, cancellation and/or use of subsidiary holdings 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 2016.

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 (6) months ended	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
EPS – basic (RMB cents)	(6.15)	1.68	2.25	3.44

Basic loss per ordinary share for the second quarter and six (6) months ended 30 June 2017 and 30 June 2016 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 2017 (Unaudited)	As at 31 December 2016 (Audited)	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
NAV per share (RMB cents)	35.35	32.97	31.62	31.77

The net asset values per ordinary share as at 30 June 2017 and 31 December 2016 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 2017 ("2Q2017") as compared to that of the second quarter ended 30 June 2016 ("2Q2016")

Revenue

Revenue recorded an increase of approximately 25.39% or RMB127.58 million in 2Q2017, mainly due to an increase of average sale price of liquid petroleum gas ("LPG") from RMB2,561 per tonne in 2Q2016 to RMB3,140 per tonne in 2Q2017 and increase of sales volume of LPG from 196,160 tonnes 2Q2016 to 200,648 tonnes 2Q2017.

Gross Profit

Gross profit decreased by RMB41.08 million or 111.70% in 2Q2017 as compared to 2Q2016. Correspondingly, gross profit margin decreased from 7.32% to negative 0.68% mainly due to the fluctuation of LPG purchase price was more unstable in 2Q2017 as compared to 2Q2016.

Other operating income

Other operating income increased by RMB2.57 million or 116.35%, mainly due to the increase in the foreign exchange gain of RMB3.28 million, partially offset by the decrease in cash rewards from local authority of RMB0.45 million the decrease in shipping income of RMB0.14 million and the decrease in the tugboat income of RMB0.12 million.

Operating expenses

Operating expenses decreased by RMB7.25 million or 26.03% due mainly to:

- (i) Selling and distribution expenses increased by approximately RMB0.48 million or 3.47% mainly due to an increase in marine freight of RMB0.93 million, an increase in the tugboat charges of RMB0.1 million, partially offset by an decrease in the land freight of RMB0.58 million and a decrease in commission charge of RMB0.1 million.
- (ii) Administrative expenses increased by RMB0.76 million or 15.75% mainly due to an increase in port maintenance fee of RMB0.35 million, an increase in asset valuation fee of RMB0.2 million, an increase in stamp duty of RMB0.15 million and an increase in office expenses of RMB0.12 million, partially offset by decrease in salary of RMB0.12 million and decrease in other tax of RMB0.1 million.
- (iii) Other operating expenses decreased by RMB8.49 million or 92.54% mainly due to the decrease in the foreign exchange loss of RMB8.38 million, resulted from the appreciation of the RMB against the US dollars in 2Q2017.

Finance cost

Finance costs decreased by approximately RMB1.29 million or 27.29% mainly due to decrease in the average loan amounts.

Profit attributable to equity holders

As a result of the above, net loss attributable to equity holders recorded RMB23.56 million in 2Q2017.

(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 2017 and the Group's Financial Position as at 31 December 2016

Current assets decreased by approximately RMB30.31 million or 6.84% from RMB443.13 million as at 31 December 2016 to RMB412.83 million as at 30 June 2017. This is mainly due to a decrease in cash and cash equivalents of RMB37.11 million, the decrease in available-for-sale investments of RMB14.11 million and the decrease in pledged fix deposit of RMB5.65 million, partially offset by an increase in trade and other receivables of RMB19.44 million.

Current liabilities decreased by approximately RMB46.23 million or 9.64% from RMB479.56 million as at 31 December 2016 to RMB433.32 million as at 30 June 2017. This is mainly due to a decrease in short term borrowings of RMB41.18 million and a decrease in due to a related party of RMB4.50 million.

Review of the Group's Cash Flow Statements for 2Q2017

Net cash used in operating activities amounted to approximately RMB49.95 million. This is mainly due to the loss before income tax of RMB23.56 million, after adding non-cash items of RMB7.14 million and net cash outflows of working capital of RMB30.18 million and net interest payment of RMB3.36 million. Net cash outflows from working capital arose from an increase in the inventories of RMB100.65 million, a decrease in trade and other payables (excluding interest payables) of RMB18.79 million, partially offset by a decrease in the trade and other receivables (exclude interest receivables) of RMB90.31 million.

Net cash used in investing activities amounted to RMB0.33 million due to the purchase of property, plant and equipment of RMB0.33 million.

Net cash generated from financing activities amounted to RMB33.91 million mainly due to the 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.

Although the global market and economic growth has been generally positive, the following months until end of 2017 will continue to face many uncertainties and challenges. Going forward, the international oil prices are likely to remain volatile and China's faster pace of growth seen in the first half may have already peaked. The unfavourable geo-political factors in North East Asia will likely continue. These adverse external factors will continue to pose big challenges for our LPG business and our Group.

However, international oil prices having declined very substantially recently may also provide some opportunities for better economic and business conditions for China and our Group. This was evidenced by our increased sales volume in first half of 2017. Our Group will continue to focus on managing our business risks, controlling our operating costs and improve productivity. We will take advantage of all opportunities going forward and cope with all our challenges and strive to enhance our profitability as soon as possible.

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 2016.

13. Summary of Interested Person Transactions for the second quarter ended 30 June 2017.

The aggregate values of interested person transactions for the second quarter ended 30 June 2017 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2017 (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	-	1,410	1,410
◦ Marine freight service	-	-	-
◦ Lease of LPG transportation vessel	-	-	-
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
◦ Sale of LPG	-	70,900	70,900
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
◦ Lease of storage tankers	-	-	-
◦ Purchase of petrol for car usage	-	-	-
Chaozhou Huafeng Refining Co., Ltd			
◦ Lease of port terminals, land use rights, office premises and staff dormitory	-	-	110
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
◦ Purchase of petrol for car usage	19	-	-

14. Confirmation pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“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 of Directors which may render the unaudited financial statements for 2Q2017 to be false or misleading in any material aspect.

15. Confirmation pursuant to Rule 720(1) of the Listing Manual of SGX-ST

We, Liang Guo Zhan and Ye Tian Shun, being Directors of the Company, do hereby confirm, for and on behalf of the Board of Directors of the Company, that the Company has procured undertakings from all its directors and executive officers of compliance with the Rules of the Listing Manual of SGX-ST.

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
11 August 2017