



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 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement and 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 STATEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 June 2018

(RMB'000)	Second quarter ended			Six months ended		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Revenue	651,545	630,000	3.4%	1,278,092	1,241,757	2.9%
Cost of sales	(622,280)	(634,304)	-1.9%	(1,239,841)	(1,193,605)	3.9%
Gross profit	29,265	(4,304)	N.M.	38,251	48,152	-20.6%
Other operating income	3,132	4,777	-34.4%	12,386	6,570	88.5%
Selling and distribution expenses	(7,499)	(14,313)	-47.6%	(14,199)	(26,543)	-46.5%
Administrative expenses	(5,566)	(5,600)	-0.6%	(10,581)	(9,867)	7.2%
Other operating expenses	(15,795)	(684)	N.M.	(16,517)	(1,868)	N.M.
Profit from operations before interest	3,537	(20,124)	N.M.	9,340	16,444	-43.2%
Finance costs	(1,637)	(3,431)	-52.3%	(3,478)	(7,806)	-55.5%
Profit before income tax	1,900	(23,555)	N.M.	5,862	8,638	-32.1%
Income tax	-	-		-	-	
Profit for the financial period	1,900	(23,555)	N.M.	5,862	8,638	-32.1%

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 June 2018

(RMB'000)	Second quarter ended			Six months ended		
	30 Jun 2018	30 Jun 2017	% change	30 Jun 2018	30 Jun 2017	% change
Profit for the financial year	1,900	(23,555)	N.M.	5,862	8,638	-32.14%
Other comprehensive income						
Foreign currency translation differences		106	N.M.	(4)	475	N.M.
Total comprehensive profit for the period	1,900	(23,449)	N.M.	5,858	9,113	-35.72%

"N.M." denotes "not meaningful"

Notes:

- (1) The consolidated financial statements of the Group have been prepared in accordance with the 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 2012 after tax holiday ended by the end of 2011. Accumulative loss is useful for five year time.

1(a)(ii) Other information:

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

(RMB'000)	Second quarter ended		% change	Six months ended		% change
	30 Jun 2018	30 Jun 2017		30 Jun 2018	30 Jun 2017	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Depreciation of property, plant and equipment	(5,146)	(3,745)	37.42%	(8,719)	(7,477)	16.62%
Interest expense	(2,232)	(3,430)	-34.93%	(3,726)	(7,806)	-52.27%
Interest income	75	34	N.M	144	75	92.00%
Foreign exchange gain/(loss)	(11,551)	3,281	N.M	(2,295)	3,828	N.M
Investment gain					14	-100.00%

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 Jun 2018	As at 31 December 2017	As at 30 Jun 2018	As at December 2017
Non-current assets				
Property, plant and equipment	144,752	150,833	-	-
Investments in subsidiaries		-	156,277	156,277
	<u>144,752</u>	<u>150,833</u>	<u>156,277</u>	<u>156,277</u>
Current assets				
Inventories	152,238	142,115	-	-
Trade and other receivables	91,156	83,491	97	98
Due from a related party	45,423	51,116	-	-
Margin deposit	2,096	2,123	2,096	2,123
Investment				
Pledged fixed deposits		18,701	-	-
Cash and cash equivalents	117,930	113,987	154	156
	<u>408,843</u>	<u>411,533</u>	<u>2,347</u>	<u>2,377</u>
Less:				
Current liabilities				
Trade and other payables	194,887	265,016	5,962	3,771
Due to a subsidiary			28,221	28,222
Due to related parties	4,182	5,068	4,181	4,235
Due to a holding company		1,633		1,633
Short-term borrowings	155,429	66,910	-	-
Income tax payables	2,317	2,317	-	-
	<u>356,815</u>	<u>340,944</u>	<u>38,364</u>	<u>37,861</u>
Net current (liabilities)/ assets	<u>52,028</u>	<u>70,589</u>	<u>(36,017)</u>	<u>(35,484)</u>
Non-current liabilities:				
Long term borrowings	27,500	58,000		
Net assets	<u>169,280</u>	<u>163,422</u>	<u>120,260</u>	<u>120,793</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	5,874	5,878	5,872	5,758
Accumulated losses	(132,042)	(137,904)	(165,398)	(164,751)
Equity attributable to equity holders of the Company	<u>169,280</u>	<u>163,422</u>	<u>120,260</u>	<u>120,793</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 Jun 2018		As at 31 December 2017	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings				
- short-term loan		-		-
- trust receipts	155,429	-	66,910	-
	<u>155,429</u>		<u>66,910</u>	

Amount repayable after one year

(RMB'000)	As at 30 Jun 2018		As at 31 December 2017	
	Secured	Unsecured	Secured	Unsecured
- long-term loan	<u>27,500</u>	-	<u>58,000</u>	-

Details of any collateralAs at 30 June 2018

The long-term loan of RMB 27.5million is secured by a mortgage over six 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 155.4 million is secured by fixed deposits, a guarantee given by Mr Liang Guo Zhan (Executive Chairman) and corporate guarantees given by several related parties.

As at 31 December 2017

The long-term loan of RMB 58.0million is secured by a mortgage over six 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 66.9 million is secured by fixed deposits, 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 FLOWS STATEMENTS FOR THE SECOND QUARTER ENDED 30 June 2018

(RMB'000)	Second quarter ended	
	30-Jun-18 (Unaudited)	30-Jun-17 (Unaudited)
Cash flows from operating activities		
Profit before income tax	1,900	(23,555)
Adjustments for:		
Depreciation of property, plant and equipment("PPE")	5,146	3,745
Loss on disposal of PPE		
Interest income	(75)	(34)
Interest expense	2,232	3,430
Loss on disposal of financial asset at fair value through profit and loss		
Gain from disposal available for sales investments		
Operating profit before working capital changes	9,203	(16,414)
Working capital changes:		
Inventories	(39,899)	(100,648)
Trade and other receivables	(33,920)	90,310
Due from related parties	21,845	(1,100)
Trade and other payables	93,072	(18,785)
Income tax payables	(672)	
Margin deposit	27	47
Cash generated from/(used in) operations	49,657	(46,590)
Interest paid	(2,232)	(3,394)
Interest received	75	34
Net cash generated from/(used in) operating activities	47,500	(49,950)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,535)	(328)
Purchase of available-for-sales investments		
Proceeds from disposal of investment		
Net cash flows generated from investing activities	(2,535)	(328)
Cash flows from financing activities		
Decrease in pledged fixed deposits		13,421
Receipt from related parties	2,312	11,969
Payment to holding	(1,585)	
Proceeds from bank borrowings	28,025	284,713
Repayment of bank borrowings	(11,000)	(276,190)
Net cash (used in)/generated from financing activities	15,440	21,944
Exchange differences arising from translation of foreign entities	(999)	106
Net increase/(decrease) in cash and cash equivalents	59,406	(16,259)
Cash and cash equivalents at beginning of the financial period	56,212	56,419
Cash and cash equivalents at end of the financial period	115,618	40,160

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 capitalization 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 2018

<u>The Group</u>						
(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total equity
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
Total comprehensive (loss)/income for the period	-	-	-	(52)	27,990	27,938
Balance at 31 December 2017	149,488	130,298	15,662	5,878	(137,904)	163,422
Total comprehensive income for the period	-	-	-	(4)	5,862	5,858
Balance at 30 Jun 2018	149,488	130,298	15,662	5,874	(132,042)	169,280

<u>The Company</u>						
(RMB'000)	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Accumulated losses	Total equity
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
Total comprehensive (loss)/income for the period	-	-	-	2,368	(2,785)	(417)
Balance at 31 December 2017	149,488	130,298	-	5,758	(164,751)	120,793
Total comprehensive income/(loss) for the period	-	-	-	114	(647)	(533)
Balance at 30 June 2018	149,488	130,298	-	5,872	(165,398)	120,260

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 2018 and no outstanding convertibles or treasury shares held as at 30 June 2018 and 31 June 2017.

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 Company has 383,288,000 total issued shares (excluding treasury shares) at US\$0.05 each fully paid up as at 30 June 2018 and 31 December 2017.

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.

The figures have not 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 2017.

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).

(RMB'000)	Second quarter ended		Six months ended	
	30 Jun 2018 (Unaudited)	30 Jun 2017 (Unaudited)	30 Jun 2018 (Unaudited)	30 Jun 2017 (Unaudited)
Number of shares	383,288	383,288	383,288	383,288
EPS (RMB cent)	0.50	-6.15	1.53	2.25

The basic earnings/(loss) per ordinary share for The Second Quarter Ended 30 June 2018 and 30 June 2017 have been calculated based on the weighted average share capital of 383,288,000 shares.

The diluted earnings/(loss) 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	As at	As at	As at
	30 Jun 2018	31 December 2017	30 Jun 2018	31 December 2017
NAV per share (RMB cents)	44.17	42.64	31.38	31.51

The net asset value per ordinary share as at 30 June 2018 and 31 December 2017 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 2018 ("2Q2018") as compared to that of the 2nd quarter ended 30 June 2017 ("2Q2017")

Revenue

Revenue increased by approximately 3.4% or RMB21.5 million, mainly due to the increase of average sale price of LPG from RMB3,140 per tonne in 2Q2017 to RMB3,542 per ton in 2Q2018. This is partially offset by the decrease in the sales volume of LPG from 200,648 tonnes 2Q2017 to 183,961 tonnes in 2Q2018. Price competitiveness of LPG as compared to substitute products contributed to the increase of local demand during the period.

Gross Profit/ (Loss)

Gross profit increased by RMB33.6 million as compared to gross loss of -RMB4.3 million in 2Q2017 due to margin increase and sales mix with domestic sales volume increased by 5.7% (174,218 tonnes vs corresponding period: 164,291 tonnes) whilst export volume was down by 26.3% (19,670 tonnes vs corresponding period: 26,695 tonnes) as result of canceling non profitable long term contract export customer. Correspondingly, gross profit margin improved from - 0.7% in 2Q2017 to 4.5% in 2Q2018.

Other operating income

Other operating income decreased by RMB3.1 million or 34.4% as compared to 2Q2017, mainly due to the foreign exchange gain of RMB3.3 million in 2Q2017.

Operating expenses

Operating expenses increased by RMB8.3 million or 40.1% mainly due to the following:

- (i) Selling and distribution expenses decreased by approximately RMB6.8 million or 47.6% due to marine freight decrease driven by lesser export volume
- (ii) Administrative expenses decreased by RMB0.04 million or 0.6%
- (iii) Other operating expenses increased by RMB15.1 million mainly due to exchange loss 11.5million and letter of credit fees charged by bank.

Finance costs increased by approximately RMB1.8 million or 52.3% mainly due to decrease of interest expenses driven by the decrease in average loans from banks.

(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 2018 and the Group's Financial Position as at 31 December 2017**

Current assets decreased by approximately RMB2.7 million or 0.6%. This is mainly due to decrease in due from related parties of RMB5.7 million, and pledged fixed deposits of RMB18.7million and partly offset by an increase in inventories of RMB10.1 million, increase in trade and other receivables of RMB7.7 million and increase in cash and cash equivalents of RMB3.9 million.

Current liabilities increased by approximately RMB15.9 million or 4.7%. This is mainly due to an increase in short term borrowings of RMB88.5 million and partially offset by decrease in the trade and other payables of RMB70.1 million.

For the six months ending 30 June 2018, the Group's working capital decreased by RMB18.6 million or 26%, however, the Group's shareholders' equity increased by RMB5.9 million or 3.6%.

Review of the Group's Cash Flow Statements for 2Q2018

The Group's Operating profit before interest and depreciation was RMB9.2 million for 2Q2018. Net cash generated after working capital changes was RMB49.7 million during 2Q2018. This was mainly due to increase in Trade Payables of RMB93.1 million and Due from related parties of RMB21.8 million, partly offset by increases in Inventories of RMB39.9 million and Trade Receivables of RMB33.9 million.

Net cash outflow from investing activities amounted to RMB2.5 million due to purchase of fixed assets.

Net cash generated from financing activities amounted to RMB17.8 million mainly due to increase in short term borrowing RMB 28.0million, partially offset by repayment of long term bank borrowings RMB11.0million.

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

No forecast or prospect statement has previously been disclosed to shareholders.

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.

International oil price has risen substantially recently and will most likely remain high as the OPEC countries continue to stick to their production quotas to boost oil prices and also the geopolitical tensions in the Middle East, particularly the United States sanctions on Iran. In addition, trade tensions will likely have some impact on the China economy and also the possibility of tariffs on our Company's imports from the United States. The RMB was much weaker than expected and will most likely follow recent downward trend. The global economy and China economy remains positive although growth rate may be slower. Domestic demand for LPG was healthy and is likely to continue whilst exports may continue to be reduced. Our Group is keeping close watch over these market and global trends in managing our business risks, notwithstanding our better performance in first half of 2018 versus the corresponding period in 2017. Going forward, our Group remains cautiously optimistic and will focus on opportunities to improve our profitability and strengthen our financial position.

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 2018.

13. Summary of Interested Person Transactions for the financial period ended 30 June 2018

The aggregate values of interested person transactions for the financial period ended 30 June 2018 are as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 Jun 2018 (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		2,552	2,552
° Marine freight service		-	-
° Lease of LPG transportation vessel		-	-
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
° Sale of LPG		78,280	78,280
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
° Lease of storage tankers			
Chaozhou Huafeng Refining Co., Ltd			
° Lease of port terminals, land use rights, office		269	269
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
° <input type="checkbox"/> Purchase of petrol for car usage	20	-	20

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 of Directors which may render the unaudited financial statements for The Second Quarter Ended 30 June 2018 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
13 August 2018