



OUHUA ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda on 3 January 2006)

(Company Registration Number 37791)

Unaudited Financial Statements For The Third Quarter Ended 30 September 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

	Third quarter ended			Nine months ended		
	30 Sep 2018 (RMB'000)	30 Sep 2017 (RMB'000)	Changes %	30 Sep 2018 (RMB'000)	30 Sep 2017 (RMB'000)	Changes %
Revenue	661,582	565,086	17.1	1,939,674	1,806,843	7.4
Cost of sales	<u>(623,564)</u>	<u>(542,887)</u>	14.9	<u>(1,863,405)</u>	<u>(1,736,492)</u>	7.3
Gross profit	38,018	22,199	71.3	76,269	70,351	8.4
Other operating income	453	9,213	(95.1)	12,839	15,783	(18.7)
Selling and distribution expenses	(7,204)	(9,321)	(22.7)	(21,403)	(35,864)	(40.3)
Administrative expenses	(5,397)	(4,528)	19.2	(15,978)	(14,395)	11.0
Other operating expenses	(8,896)	(2,884)	N.M.	(25,413)	(4,752)	N.M.
Profit from operations	<u>16,974</u>	<u>14,679</u>	15.6	<u>26,314</u>	<u>31,123</u>	(15.5)
Finance costs	<u>(2,810)</u>	<u>(3,400)</u>	(17.4)	<u>(6,288)</u>	<u>(11,206)</u>	(43.9)
Profit before income tax	<u>14,164</u>	<u>11,279</u>	25.6	<u>20,026</u>	<u>19,917</u>	0.5
Income tax expense	-	-		-	-	
Profit for the period	<u>14,164</u>	<u>11,279</u>	25.6	<u>20,026</u>	<u>19,917</u>	0.5
Other comprehensive income:						
Foreign currency translation	<u>154</u>	<u>(57)</u>	N.M.	<u>150</u>	<u>418</u>	(64.2)
Total comprehensive income	<u>14,318</u>	<u>11,222</u>	27.6	<u>20,176</u>	<u>20,335</u>	(0.8)

“N.M.” – Not Meaningful

1(a)(ii) Other information:

Profit before income tax is arrived at after (charging)/crediting the following:

	Third quarter ended			Nine months ended		
	30 Sep 2018 (RMB'000) (Unaudited)	30 Sep 2017 (RMB'000) (Unaudited)	Changes %	30 Sep 2018 (RMB'000) (Unaudited)	30 Sep 2017 (RMB'000) (Unaudited)	Changes %
Depreciation of property, plant and equipment	(3,308)	(3,424)	(3.4)	(12,027)	(10,901)	10.3
Interest expense	(2,262)	(3,427)	(34.0)	(5,988)	(11,233)	(46.7)
Interest income	76	27	N.M.	220	102	N.M.
Foreign exchange gain/(loss)	(8,705)	792	N.M.	(11,000)	4,620	N.M.

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.

	Group		Company	
	As at 30 Sep 2018 (RMB'000) (Unaudited)	As at 31 Dec 2017 (RMB'000) (Audited)	As at 30 Sep 2018 (RMB'000) (Unaudited)	As at 31 Dec 2017 (RMB'000) (Audited)
Non-current assets				
Property, plant and equipment	141,573	150,833	8	-
Investments in subsidiaries	-	-	156,277	156,277
	<u>141,573</u>	<u>150,833</u>	<u>156,285</u>	<u>156,277</u>
Current assets				
Inventories	150,007	142,115	-	-
Trade and other receivables	139,672	83,491	-	98
Due from a related party	58,140	51,116	-	-
Margin deposit	2,096	2,123	3,220	2,123
Pledged fixed deposits	-	18,701	-	-
Cash and cash equivalents	105,806	113,987	86	156
	<u>455,721</u>	<u>411,533</u>	<u>3,306</u>	<u>2,377</u>
Current liabilities				
Trade and other payables	314,666	265,016	3,959	3,771
Due to a subsidiary	-	-	29,633	28,222
Due to related parties	4,182	5,068	4,447	4,235
Due to a holding company	1,731	1,633	1,715	1,633
Bank borrowings	66,300	66,910	-	-
Income tax payable	2,317	2,317	-	-
	<u>389,196</u>	<u>340,944</u>	<u>39,754</u>	<u>37,861</u>
Net current assets /(liabilities)	<u>66,525</u>	<u>70,589</u>	<u>(36,448)</u>	<u>(35,484)</u>
Non-current liabilities:				
Bank borrowings	24,500	58,000	-	-
Net assets	<u>183,598</u>	<u>163,422</u>	<u>119,837</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	6,028	5,878	5,908	5,758
Accumulated losses	(117,878)	(137,904)	(165,857)	(164,751)
Equity attributable to equity holders of the Company	<u>183,598</u>	<u>163,422</u>	<u>119,837</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**

As at 30 Sep 18 RMB'000		As at 31 Dec 17 RMB'000	
Secured	Unsecured	Secured	Unsecured
66,300	-	66,910	-

Amount repayable after one year

As at 30 Sep 18 RMB'000		As at 31 Dec 17 RMB'000	
Secured	Unsecured	Secured	Unsecured
24,500	-	58,000	-

Details of any collateral

The group bank borrowings comprise of trust receipts and bank loan.

Trust receipts were secured by pledged fixed deposits and corporate guarantees from related parties and personal guarantee by a director.

Bank loan was secured by certain property, plant and equipment and corporate guarantees from related parties and personal guarantee from a director.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Third quarter ended	
	30 Sep 2018 (RMB'000) (Unaudited)	30 Sep 2017 (RMB'000) (Unaudited)
Cash flows from operating activities		
Profit before income tax	14,164	11,279
Adjustments for:		
Depreciation of property, plant and equipment	3,308	3,424
Interest income	(76)	(27)
Interest expense	2,262	3,427
Operating profit before movements in working capital	<u>19,658</u>	<u>18,103</u>
Changes in working capital:		
Inventories	2,231	116,663
Trade and other receivables	(48,516)	(154,999)
Due from a related party	(12,717)	(19,504)
Due to a related party	-	99,545
Due to a holding company	1,731	-
Trade and other payables	119,779	(102,270)
Margin deposit	-	(1,800)
Cash generated from/(used in) operations	<u>82,166</u>	<u>(44,262)</u>
Interest paid	(2,262)	(3,427)
Interest received	76	27
Income tax payable	-	3,285
Net cash generated from/(used in) operating activities	<u>79,980</u>	<u>(44,377)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(129)	1,432
Proceeds from disposal of investment	-	(2,489)
Net cash flows used in investing activities	<u>(129)</u>	<u>(1,057)</u>
Cash flows from financing activities		
Increase in pledged fixed deposits	-	12,310
Proceeds from bank borrowings	-	60,034
Repayment of bank borrowings	(92,129)	-
Net cash (used in)/generated from financing activities	<u>(92,129)</u>	<u>72,344</u>
Net (decrease)/increase in cash and cash equivalents	(12,278)	26,910
Cash and cash equivalents at beginning of the period	117,930	40,160
Effect of foreign exchange rate changes in chas and cash equivalents	154	(57)
Cash and cash equivalents at end of the period	<u>105,806</u>	<u>67,013</u>

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 nine months ended 30 September 2018

Group

	Share capital (RMB'000)	Share premium (RMB'000)	Statutory reserve (RMB'000)	Foreign currency translation reserve (RMB'000)	Accumulated losses (RMB'000)	Total equity (RMB'000)
Balance at 1 Jan 2017	149,488	130,298	15,662	5,455	(174,532)	126,371
Total comprehensive income for the period	-	-	-	418	19,917	20,335
Balance at 30 Sep 2017	149,488	130,298	15,662	5,873	(154,615)	146,706
Total comprehensive income for the period	-	-	-	5	16,711	16,716
Balance at 31 Dec 2017	149,488	130,298	15,662	5,878	(137,904)	163,422
Total comprehensive income for the period	-	-	-	150	20,026	20,176
Balance at 30 Sep 2018	149,488	130,298	15,662	6,028	(117,878)	183,598

Company

	Share capital (RMB'000)	Share premium (RMB'000)	Statutory reserve (RMB'000)	Foreign currency translation reserve (RMB'000)	Accumulated losses (RMB'000)	Total equity (RMB'000)
Balance at 1 Jan 2017	149,488	130,298	-	3,662	(161,682)	121,766
Total comprehensive (loss)/income for the period	-	-	-	(329)	12,837	12,508
Balance at 30 Sep 2017	149,488	130,298	-	3,333	(148,845)	134,274
Total comprehensive income/(loss) for the period	-	-	-	2,425	(15,906)	(13,481)
Balance at 31 Dec 2017	149,488	130,298	-	5,758	(164,751)	120,793
Total comprehensive income/(loss) for the period	-	-	-	150	(1,106)	(956)
Balance at 30 Sep 2018	149,488	130,298	-	5,908	(165,857)	119,837

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 third quarter ended 30 September 2018 and no outstanding convertibles or treasury shares held as at 30 September 2018 and 30 September 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 total number of issued Shares as at 30 September 2018 and 30 December 2017 was 383,288,000. The Company has no treasury shares

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.

Apart from what is disclosed in paragraph (5) below, the same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently 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.

The group has adopted all accounting statements that are effective from 1 January 2018 but the adopted change have no material effect.

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).

	Third quarter ended		Nine months ended	
	30 Sep 2018 (Unaudited)	30 Sep 2017 (Unaudited)	30 Sep 2018 (Unaudited)	30 Sep 2017 (Unaudited)
EPS (RMB cents)	3.70	2.94	5.22	5.20

Basic earnings per ordinary share for the third quarter ended 30 September 2018 and 30 September 2017 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 Sep 2018 (Unaudited)	As at 31 Dec 2017 (Audited)	As at 30 Sep 2018 (Unaudited)	As at 31 Dec 2017 (Audited)
NAV per share (RMB cents)	47.90	42.64	31.27	31.51

Net asset value per ordinary share as at 30 September 2018 and 31 December 2017 is calculated using the Company's and Group's net asset values as at the end of each period divided by the number of shares in issue (excluding treasury shares) 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 third quarter ended 30 September 2018 ("3Q2018") as compared to that of the third quarter ended 30 September 2017 ("3Q2017")

Revenue

Revenue increased by approximately 17.1% or RMB96.5 million, mainly due to the increase of average domestic sale price of LPG from RMB3,101 per tonne in 3Q2017 to RMB3,831 per ton in 3Q2018 and sales volume of LPG from 180,165 tonnes in 3Q2017 to 193,967 tonnes in 3Q2018. Price competitiveness of LPG as compared to substitute products contributed to the increase of local demand during the period.

Gross Profit

Gross profit increased by RMB15.8 million as compared to that in 3Q2017 due to margin increase, favorable sales mix and domestic sales volume increase. Profit margin improved from 3.9% in 3Q2017 to 5.7% in 3Q2018.

Other operating income

Other operating income decreased by RMB8.8 million mainly due to the foreign exchange gain of RMB7.3 million in 3Q2017.

Operating expenses

Operating expenses increased by RMB4.8 million mainly due to the following:

- (i) Selling and distribution expenses decreased by approximately RMB2.1 million or 22.7% due to marine freight decrease driven by lesser export volume
- (ii) Administrative expenses decreased by RMB0.9 million or 19.2%
- (iii) Other operating expenses increased by RMB6.0 million mainly due to exchange loss RMB8.7 million.

Finance costs decreased by approximately RMB0.6 million or 17.4% mainly due to interest expenses saving 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 September 2018 and the Group's Financial Position as at 31 December 2017

Current assets increased by approximately RMB44.2 million or 10.7%. This is mainly due to increase in due from related parties of RMB7.0 million, increase in inventories of RMB7.9 million, and increase in trade and other receivables of RMB56.2 million, but partially offset by decrease in cash and cash equivalents of RMB8.2 million and pledged fixed deposits of RMB18.7 million.

Current liabilities increased by approximately RMB48.2 million or 14.2%. This is mainly due to increase in the trade and other payable of RMB49.6 million.

For the nine months ending 30 September 2018, the Group's working capital decreased by RMB4.1 million or 5.8%, however, the Group's shareholders' equity increased by RMB20.2 million or 12.3%.

Review of the Group's Cash Flow Statements for 3Q2018

The Group's operating profit before movements in working capital was RMB19.7 million for 3Q2018. Net cash generated from operations was RMB82.2 million during 3Q2018. This was mainly due to increase in trade payable of RMB119.8 million, decreases in inventories of RMB2.2 million and due to holding company of RMB1.7 million, but partially offset by increase in due from a related party of RMB12.7 million and trade and other receivables of RMB48.5 million.

Net cash outflow from investing activities amounted to RMB0.1 million due to purchase of property, plant and equipment.

Net cash outflow from financing activities amounted to RMB92.1 million due to repayment of bank borrowings.

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

Not applicable

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.**

Oil prices have unexpectedly declined substantially in the recent months despite the US sanctions on Iran oil exports coming into effect. As LPG price follow oil price trend closely, it would be a strong challenge for our Company to manage this unexpected drop in oil prices. Moreover, the China economy has slowed to 6.5% growth and this slowdown is also a concern for our Company as the manufacturing sector faces slowdown in view of the ongoing US China trade war. The outlook for the RMB appears to be further weakening as resolution to the trade war may take a longer time than initially expected. As tariffs are imposed on imports of LPG raw materials from the US, alternative sources of supply may raise some costs for our Company. On the domestic front, there are also several new refineries and petrochemical projects coming onstream which will add significant supply of LPG to the market. Going forward, our Company will remain vigilant in managing risks and operating costs to cope with these challenges and maintain our market competitiveness in the LPG market.

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 third quarter ended 30 September 2018.

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

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

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 Sep 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	-	3,627	3,627
° Marine freight service	-	-	-
° Lease of LPG transportation vessel	-	-	-
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
° Sale of LPG	-	132,832	132,832
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
° Lease of storage tankers	-	-	-
Chaozhou Huafeng Refining Co., Ltd			
° Lease of port terminals, land use rights, office premises and	-	419	419
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
° Purchase of petrol for car usage	40	-	40

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 third quarter ended 30 September 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
8 November 2018