



OUHUA ENERGY HOLDINGS LIMITED
(Incorporated in Bermuda with Registration Number 37791)

**RESPONSES TO SGX-ST QUERIES REGARDING THE COMPANY'S FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2020**

The Board of Directors (the "Board") of Ouhua Energy Holdings Limited ("the Company", and together with its subsidiaries, the "Group") refers to the queries raised by Singapore Exchange Securities Trading Limited ("SGX-ST") on 7 September 2020 in relation to the Company's financial statements for the half year ended 30 June 2020. The Company's responses to the queries are as follows:

1. SGX-ST Query

We note that the Company has attributed the decrease in gross profit to, inter alia, the price of oil hitting the lowest point during the last 18 years, resulting in an impairment loss of its LPG inventories. Please disclose: (i) the quantum of the impairment loss on the LPG inventories; (ii) how the impairment was determined; and (iii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment.

Company's Response

The sudden crash of oil price took place in this March and the impairment loss for our inventories as of 30 March 2020 is estimated to be around RMB 18 million, based on lower of cost or net realizable value. However, as oil price recovers from this April onwards, the realized losses were much lower resulting in gross losses of RMB 5.2 million for our half-year ending on 30 June 2020. No provision for losses on inventories was required for our half-year reporting period ending on 30 June 2020 and, therefore, no opinion on impairment loss was sought from the Board.

2. SGX-ST Query

Please explain why the line item "selling and distribution expenses" on page 1 of the Financial Statements did not decrease proportionately with the decrease in "revenue".

Company's Response

Selling and distribution expense consists of both variable expenses and fixed expenses, the latter of which refers to ship depreciation, overhaul and other fixed expenditure. Therefore, Selling and Distribution expenses could not decrease proportionately with decrease in "revenue".

3. SGX-ST Query

We note that the Company has disclosed a 75% increase in "depreciation of property, plant and equipment". Please explain the material variance in "depreciation of property, plant and equipment".

Company's Response

The variance mainly comes from one of ship lease agreements effective from July 2019. IFRS 16 requires us to recognize Right of Use assets for such leases and depreciation should be made accordingly.

4. SGX-ST Query

Please explain the material variances in the following line items on page 3 of the Financial Statements: (i) inventories; (ii) trade and other receivables; (iii) trade and other payables; (iv) bank borrowings; (v) lease liabilities; and (vi) long term debt.

Company's Response

Items	(Unaudited) As at 30 Jun 2020 RMB'000	(Audited) As at 31 Dec 2019 RMB'000	Variance RMB'000	%	Reason
Inventories	135,616	152,202	-16,586	-11%	Lower LPG prices compared to corresponding period
Trade and other receivables	96,178	105,982	-9,804	-9%	Lower LPG prices compared to corresponding period
Trade and other payables	3,670	227,492	-223,822	-98%	Reduced L/C financing as more bank loans utilized.
Bank borrowings	233,086	106,379	126,707	119%	More support from local bank in respect of bank loans
Lease liabilities	4,847	11,116	-6,268	-56%	Some leasing agreements are still under negotiation.
Long term debt	30,000		N.A	N.A	New 18-month-term loan from local bank being granted

By Order of the Board

Liang Guo Zhan
Executive Chairman
9 September 2020