



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

RESPONSES TO SGX-ST QUERIES REGARDING THE COMPANY'S HALF-YEARLY FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

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 (the "SGX-ST") on 19 August 2021 in relation to the Company's half-yearly financial statements for the financial period ended 30 June 2021 (the "HY2021"). All undefined terms used herein shall take their definitions provided in the financial statements for HY2021. The Company's responses to the queries are as follows:

1. SGX-ST Query

We note that the Company disclosed a breakdown of its investments in subsidiaries in Note 14 of the Financial Statements. Please confirm that the figures for HY2020 and HY2021 are accurate. In addition, please disclose: -

- a. how the allowance for impairment of RMB 65.1 million was determined;
- b. the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine the amount of allowance for impairment; and
- c. the reasons for the allowance for impairment.

Company's Response

Please note that the comparative financial dates should be as at 30 June 2021 and as at 31 December 2020. We confirm that the figures disclosed under Note 14 are correct as of those dates.

- a. The impairment amount is the equivalent of the excess of the carrying value of the Company's investment in its subsidiary (i.e., Chaozhou Ouhua Energy Co., Ltd) over the recoverable amount (i.e., computed based on discounted future cash flows of the said subsidiary). The approach taken / methodology applied is consistent with IAS36 ("Impairment of Assets").
- b. The computation of the estimated impairment (that was subjected to the audit of the External Auditors) was presented to and reviewed by the Board who expressed no objection thereof.
- c. As required under IAS36, an allowance shall be recognized whenever there is any indication that the asset may be impaired. Accordingly, the continued losses of the Company's subsidiary gave rise to such an indication of impairment. Hence, an assessment was made and an allowance has been recognized in the Company's financial statements. We will review it again at the end of each year with our auditors.

2. SGX-ST Query

Please disclose: -

- a. the aging of the Group's trade receivables;
- b. the Company's plans to recover the trade and other receivables;
- c. whether they are major customer(s) and whether the Company continues to transact with these customer(s);
- d. what were the actions taken to recover the trade and other receivables;
- e. the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and
- f. the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response

- a. The Group's trade receivables are as follows:

As at 30 June 2021	Aging of trade receivables					Total	Subsequent collection up to 23 August 2021	Net of collection
	Current	1 to 30 days	31 – 60 days	61 – 90 days	More than 90 days			
Trade receivables – third parties	24,529	-	-	-	899	25,428	24,529	899
Less: loss allowance	-	-	-	-	-899	-899	-	-899
	24,529	-	-	-	-	23,630	24,529	-

- b. The Group's trade and other receivables as at 30 June 2021 are current (i.e., not past due) and are collectable within the normal operating cycle. Hence, no special recovery plans are applicable.
- c. These are major customers of the Company. Majority of whom have been transacting with the Group for over 5 years. For overseas customers, all sales are under a letter of credit. Hence, trade receivables are secured and collectable.
- d. As explained in paragraph (b) above, this is not applicable.
- e. As explained in paragraph (b) above, this is not applicable as there are no overdue receivables. Hence, no impairment is required.
- f. As stated, the Company's receivables are current and collectable within the normal operating cycle. The outstanding trade receivables as at 30 June 2021 have been collected subsequently.

3. **SGX-ST Query**

It is noted that the Company has a net cash outflow from operating activities of RMB 85.9 million and a net profit of RMB 9.84 million for the financial period ended 30 June 2021. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position for the financial period.

Company's Response

The Group is primarily in the importation, processing and wholesale of Liquefied Petroleum Gas ("LPG"). Majority of the raw materials are sourced from overseas and are subjected to price changes. The Group increased the level of inventory as at 30 June 2021, in line with the Management's forecasted increase in demand of LPG in the second half of 2021, and increase in prices of raw materials in the coming months. This resulted in cash outflow for inventory and advances to suppliers of RMB 97.2 million and RMB 58.1 million, respectively. Had the Group maintained the same level / amount of inventory as in prior period, the net cash inflow from operating activities would have been RMB 11.2 million for the financial period ended 30 June 2021.

4. **SGX-ST Query**

Given the Group's significant liabilities of RMB 431.3 million and cash and cash equivalents of only RMB 36.1 million, please disclose the Board's assessment as to: (i) whether the Company's current assets are adequate to meet the Company's short term liabilities of RMB 414.7 million, including its bases of assessment; and (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response

The Company's current assets exceed the amount of its current liabilities by RMB 104 million as at 30 June 2021. The Board is of the view that the Group will be able to pay its current obligations as they fall due within the next 12 months. In addition, trade receivables as at 30 June 2021 have been collected subsequently. The inventory turnover days for HY2021 is 19 days.

The Group will be able to meet its payment obligations as and when they are due from the following:

- Cash flows generated from operations
- Undrawn bank credit lines (total bank credit facilities are RMB 455 million and unutilised credit facilities as at 30 June 2021 are RMB 200 million)
- Bank borrowings matured in August 2021 (20% of the outstanding bank borrowings as at 30 June 2021) have been fully settled and the remaining balances will mature in 2022.

By Order of the Board

Liang Guo Zhan
Executive Chairman
24 August 2021