



OUHUA ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda with Registration Number 37791)

RESPONSE TO SGX QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Query 1

The Group's inventories as at 31 Dec 2023 increased significantly to RMB 246.2 million (31 Dec 2022: RMB 105.0 million). Please explain the reason for the significant increase.

The Group strategically increased its inventories in December 2023, anticipating increases in LPG prices approaching Chinese New Year. Subsequently, majority of the inventory has been sold in January 2024.

Query 2

The Group's trade and other receivables as at 31 Dec 2023 includes non-trade other receivables of RMB 74.2 million (31 Dec 2022: RMB 1.9 million). Please disclose the nature of the other receivables and explain the reason for the significant increase.

The Group was in the process of planning for the renovation of production base, wharf and living area of the Chaozhou Ouhua. To secure more favourable quotations for these projects, the Group engaged two unrelated third-party construction consultants to facilitate the introduction of contractors. A total of RMB 73.6 million were paid to the consultants as a security deposit. This fund will be returned to the Group upon the selection of contractors. The projects content related to the security deposits are mainly cost optimization and quality improvement services for bidding, engineering design and construction, equipment and raw material procurement of production base, wharf and living area renovation projects.

Query 3

The Group's trade receivables from a related party as at 31 Dec 2023 increased significantly to RMB 63.7 million (31 Dec 2022: RMB 24.7 million) despite a decrease in sales of LPG to related parties in FY2023. Please disclose who is this related party, the credit terms extended to this related party, whether the amount(s) are overdue and the age bracket, as well as the Board's assessment of its recoverability.

A detailed breakdown of trade receivables from related parties as at 31 December 2023 is as follows:

Customer	Credit terms	RMB'000
Guangdong Zhongzhan New Energy Tech Co., Ltd.	14 days	57,049
Chaozhou Chao'an Dengtang Huafeng Liquefied Gas Co., Ltd.	14 days	2,428
Chaozhou Chao'an Nanxiong Sheng Liquefied Gas Co., Ltd.	14 days	2,220
Chaozhou Chao'an Huasheng Fuel Co., Ltd.	14 days	1,505
Chaozhou Huafeng Gas Factory Co., Ltd.	14 days	472
		<u>63,674</u>

Trade receivables from the above related parties are non-interest bearing and are generally on credit terms of 14 days. The above-mentioned LPG customers are well-established companies which have been our

reliable trading partners for over three years. No impairment needs to be made since all of the trade receivables had been collected as scheduled.

The aging summary of the trade receivable due from related parties are as follows:

Age bracket	RMB'000
Current	19,835
1 to 12 months	43,839
	674

Query 4

The Group's trade payables as at 31 Dec 2023 increased significantly to RMB 125.1 million (31 Dec 2022: RMB 1.1 million). Please explain the reason for the significant increase and whether the Group has already paid off these trade payables to-date as per the Company's disclosure that its trade payables are normally settled on 3 days terms.

As disclosed in the response to Query 2, The Group built up its inventories at the end of December 2023 in view of the signs of price growth and also to meet the sales order for the month of January 2024, which resulted in an increase of trade payables in December 2023 accordingly. As of 31 January 2024, The Group has already paid off these trade payables.

Query 5

The Group recorded current borrowings of RMB 477.1 million and recorded operating cash outflows of RMB 39.1 million for FY2023. The Group's cash balance as at 31 Dec 2023 is RMB 161.1 million. Please disclose the Board's assessment of:

- a. whether the Group's working capital is adequate to meet the Group's short-term liabilities; and**
 - b. how the Group intends to fulfill its significant payment obligations in the next 12 months. Where the Group has worked out debt repayment plans to fulfill its debt obligations, please disclose if it is on track to fulfilling these obligations.**
- a. The Group has adequate working capital to meet its current liabilities. As at 31 December 2023, the Group's current assets exceeded its current liabilities by RMB135.3 million.
 - b. As at 31 December 2023, The Group has unutilized bank credit limit amounting to RMB 100 million. Out of RMB477.1 million bank borrowings as at 31 December 2023, RMB214.7 million has been rolled over for another one year subsequent to year end.

By Order of the Board

Liang Guo Zhan
Executive Chairman
18 March 2024