



OUHUA ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda on 3 January 2006)
(Company Registration Number 37791)

Quarterly Update Pursuant to Rule 1313(2) of SGX-ST Listing Manual

Effective from 5 June 2017, Ouhua Energy Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) was placed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) watch-list pursuant to the Listing Rule 1311(2) under the revised Minimum Trading Price entry criteria.

Pursuant to Rule 1313(2) of the SGX-ST Listing Manual, the Board of Directors (the “**Board**”) of the Company wishes to provide the update below in respect of the 2nd quarter ended 30 Jun 2019 (“**Q2 2019**”).

Update of Financial Position

Revenue

Revenue increased by approximately 14.8% or RMB 96.7 million from RMB 651 million in 2Q 2018 to RMB 748 million in 2Q 2019 due to an increase in the sales volume of liquefied petroleum gas (“LPG”) from 183,961 tons in 2Q 2018 to 207,989 tons in 2Q 2019 alongside an increase in new distribution channels for LPG in other cities in Guangdong Province.

Gross Profit

Gross profit decreased by RMB 33.4 million or 114% from RMB 29.2 million in 2Q 2018 to negative RMB 4.2 million in 2Q 2019 due to the unexpected decline of local LPG price in Q2, mainly due to the sudden increase of local LPG supply from domestic refining plants such as Dalian Hengli and Gulei Petrochemical, compounded by fluctuation of foreign exchange rate following the tariff dispute between USA and PRC. The Group had to cut down the price heavily to retain the market share and keep the business running, resulting in lower margin in 2Q 2019.

Other operating income

Other operating income decreased from RMB 3.1 million in the 2Q 2018 to RMB 1.6 million in 2Q 2019. The decrease of RMB 1.5 million or 48.5% was mainly attributed by no incurrence of foreign exchange gain in 2Q2019 as RMB was weaker against USD in 2Q 2019.

Operating expenses

The increase in operating expenses was mainly due to the following:

Selling and distribution expenses increased by RMB 0.2 million or 2.3% from RMB 7.5 million in 2Q 2018 to RMB 7.7 million in 2Q 2019 due to higher marine freight driven by higher sales volume of other cities in Guangdong Province, partially offset by lower tugboat charges.

Administrative expenses

Administrative expenses decreased by RMB 1.9 million or 34.8% from RMB 5.6 million in 2Q 2018 to RMB 3.6 million in 2Q 2019 mainly due to lower port construction cost, lower rental cost and insurance cost partially offset by higher manpower cost with the increase in headcount.

Other operating expenses decreased by RMB 2.9 million to RMB 1.3 million in 2Q 2019 from RMB 4.2 million 2Q 2018 mainly due to reclassification of application fee of L/C to finance cost.

Finance costs

Finance costs decreased by approximately RMB 5.1million or 38.7% from RMB 13 million in 2Q 2018 to RMB 8.1 million in 2Q 2019 mainly due to lower foreign exchange loss, partially offset by increase in lease liability interest and application fee of **letter of credit**.

Profit attributable to equity holders

As a result of the above, the Group yielded its loss attributable to equity holders of RMB 23.3 million in 2Q 2019, compared with net profit of RMB 1.9 million 2Q 2018.

Please refer to the announcement of our results for the financial period ended 30 Jun 2019 released on 12 Aug 2019 for full details.

Update on Future Direction

In view of the foregoing, the Group envisages that the next 12 months will continue to bring challenges to the profitability and performance of the Group. As such, the Group will continue to be prudent in managing its business risks and controlling its operating costs. The Group will also explore more business opportunities for purposes of turnaround.

The Group is aware of the deadline given by the SGX-ST for its removal from the Watch-List. The Group will endeavor to meet the requirements of Rule 1314 of the SGX-ST Listing Manual to be removed from the Watch-List.

By Order of the Board
Ouhua Energy Holdings Limited

Liang GuoZhan
Executive Chairman

8 August 2019