



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

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**RESPONSES TO SGX-ST QUERIES REGARDING THE COMPANY'S FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020**

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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 6 March 2021 in relation to the Company's financial statements for the full year ended 31 December 2020. The Company's responses to the queries are as follows:

**1. SGX-ST Query**

Please explain the material variance in the following line items found on page 3 of the Financial Statements:- (a) inventories; (b) trade and other receivables; (c) due from a related party; (d) pledged fixed deposits; (e) cash and cash equivalents; (f) trade and other payables; and (g) bank borrowings.

**Company's Response**

The reasons for the above-mentioned material variance are as follows:

- (a) Inventories: In 2020 December the Company was unable to discharge one ship-load LPG as scheduled due to unfavorable weather conditions, which resulted in the decrease in inventories compared on year-on-year basis.
- (b) Trade and other receivables: There are two reasons: one is the prepayment to our supplier, which could not be written back due to the above-mentioned late delivery event, while the other is to extend the credit terms of some customers to 30 days.
- (c) Due from a related party: The variance is about 10% and it is due to market conditions in local LPG market during December 2020 which is usually the peak season and some changes are expected from time to time.
- (d) Pledged fixed deposits: The increased bank borrowing made the Company less rely on Letter of Credit financing, reducing the amount of pledged fixed deposit as a result.
- (e) Cash and cash equivalents: Mainly from financing activities, which the Company was granted several bank borrowings as part of PRC stimulus measures during the pandemic.
- (f) Trade and other payables: Payment term with some suppliers had been changed to T/T immediately rather than 30 days Letter of Credit.
- (g) Bank borrowing: The Company has been granted several bank loans of RMB252 million during the pandemic.

## 2. **SGX-ST Query**

With regard to the line item “trade and other receivables” on page 3 of the Financial Statements, please disclose:-

- (i) a breakdown of the Group’s receivables;
- (ii) aging of the Group’s trade receivables; and
- (iii) details of the Group’s underlying transactions of its other receivables and the terms of these transactions.

### **Company’s Response**

#### **(i) a breakdown of the Group’s receivables;**

	<u>2020</u>	<u>2019</u>
	<u>R M B ’000</u>	<u>R M B ’000</u>
Trade Receivables-third parties	30,026	18,184
Less: bss allowance	-899	-899
	<u>29,127</u>	<u>17,285</u>
Prepayments	1,185	290
Advances to suppliers	113,778	86,012
Value added tax receivable,net		1107
Staff advances		525
Deposit paid	35,170	
Others	6,050	994
Less: bss allowance	-368	-232
	<u>184,942</u>	<u>105,981</u>

#### **(ii) aging of the Group’s trade receivables; and**

	<u>Current</u>	<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>More than</u>	<u>Total</u>
		<u>days</u>	<u>days</u>	<u>days</u>	<u>90 days</u>	
Trade receivables-third parties	29,048				978	30,026
Loss allowance					899	899

#### **(iii) details of the Group’s underlying transactions of its other receivables and the terms of these transactions.**

As for other receivables, it mainly refers to deposits made to PRC customs and local companies, which would be settled once the transactions are completed.

### 3. SGX-ST Query

Please disclose a breakdown of the line item “trade and other payables” found on page 3 of the Financial Statements. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

#### Company’s Response

<b>Trade and other payables</b>	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade Payables	29,442	181,304
Accrued expenses	7,445	4,932
Interest payable	463	260
Value added tax payable, net	12,719	
Contract liabilities	58,585	33,469
Due to a director	2,422	2,552
Deposit received	13,939	
Others	4,285	4,974
	<b>129,300</b>	<b>227,491</b>

#### **Aging analysis of other payables:**

	<u>Current</u>	<u>Past due</u>				<u>Total</u>
		<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>More than 90 days</u>	
Other payables-third parties	3,455	187	130	263	250	4,285

It mainly refers to payables to local small contractors.

#### 4. SGX-ST Query

Please provide a breakdown of the line items “trade and other receivables” and “trade and other payables” on page 3 of the Financial Statements.

##### Company’s Response

Please refer to the items as follow:

<b>Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade Receivables-third parties	30,026	18,184
Less: loss allowance	-899	-899
	<u>29,127</u>	<u>17,285</u>
Prepayments	1,185	290
Advances to suppliers	113,778	86,012
Value added tax receivable,net		1107
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	<u>184,942</u>	<u>105,981</u>

<b>Trade and other payables</b>	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
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Others	4,285	4,974
	<u>129,300</u>	<u>227,491</u>

#### 5. SGX-ST Query

Please explain why interest income amounted to only RMB249,000 during FY2020 when the Company has significant cash and bank balance amounting to RMB203 million.

##### Company’s Response

Most of cash had been deployed to operational business activities to manage the market situation and take advantage of opportunities to restore profitability during this pandemic.

## 6. **SGX-ST Query**

It is noted that the Company has a net cash outflow from operating activities of RMB 7.98 million and a net profit of RMB 10.5 million for FY2020. 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/year.

### **Company's Response**

The Company has been trying to improve its profitability by negotiating down its purchasing price. This is weighed and balanced having to make some concession on credit terms with our suppliers, which would inadvertently increase the demand on our working capital.

## 7. **SGX-ST Query**

Please provide the reason(s) for the significant borrowings of RMB 252.3 million by the Group when the Group recorded a cash and cash equivalent of RMB 203.0 million as at 31 December 2020.

In addition, please disclose:

- (i) details of the loan, including the terms of the loan, interest on loans and maturity dates;
- (ii) a breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank);
- (iii) when were the loans obtained and approved by the Board including the Audit Committee; and
- (iv) the use of proceeds from the loan.

### **Company's Response**

This is to manage our cashflow situation during this pandemic by leveraging on bank borrowing appropriately to enable the Company to negotiate down our purchasing cost from our suppliers and improve our profitability and compete for business offering more competitive terms to our customers.

**(i) details of the loan, including the terms of the loan, interest on loans and maturity dates;**

Bank	Amount in CNY '000	Annual Interest Rate	Maturity Date
Chaozhou Branch, Bank of China	10,439.84	4.50%	5 February 2021
Chaozhou Branch, Bank of China	13,049.80	4.00%	19 February 2021
Chaozhou Branch, Bank of China	90,000.00	4.50%	2 March 2021
Chaozhou Branch, Bank of China	28,000.00	4.35%	25 March 2021
Chaozhou Branch, Bank of China	18,000.00	4.35%	1 April 2021
Chaozhou Branch, Bank of China	14,000.00	4.35%	13 April 2021
ZengCheng Branch Huaxia Bank	49,360.00	4.50%	5 February 2021
Chaozhou Rural Commercial Bank	9,500.00	6.00%	21 January 2021
Chaozhou Rural Commercial Bank	10,000.00	6.00%	21 July 2021
Chaozhou Rural Commercial Bank	10,000.00	6.00%	23 January 2022
<b>Total</b>	<b>252,349.64</b>		

**(ii) a breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank);**

Bank	Ultimate beneficial shareholders
Chaozhou Branch, Bank of China	PRC government
ZengCheng Branch Huaxia Bank	PRC government
Chaozhou Rural Commercial Bank	PRC government

**(iii) when were the loans obtained and approved by the Board including the Audit Committee; and**

**(iv) the use of proceeds from the loan.**

The loans have been deployed for general corporate and working capital purposes in the ordinary course of business at Chaozhou Ouhua Energy Co., Ltd and are authorised by the Management & Board and reported to Audit Committee and the Group's Board for review on 27 February 2020. There are no new projects or products or any new bank borrowings for such purposes which may increase risks for the Group.

**8. SGX-ST Query**

Please provide the reason(s) for the significant accounts payables/trade and other payables of RMB 129.3 million when the Group recorded a cash and cash equivalent of RMB 203 million as at 31 December 2020.

**Company's Response**

The Accounts Payables/Trade Payables are much lower than in the previous year and it is desirable and prudent to have some level of these payables for our cashflow management despite our increased cash position.

By Order of the Board

Liang Guo Zhan  
Executive Chairman  
10 March 2021