



OUHUA ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda with Registration Number 37791)

RESPONSES TO SGX'S QUERIES ON THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SECOND QUARTER ENDED 30 JUNE 2016 ("RESULTS ANNOUNCEMENT")

The Board of Directors (the "**Board**") of Ouhua Energy Holdings Limited (the "**Company**") (together with its subsidiaries, the "**Group**") wishes to announce its responses to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") on the Results Announcement on 19 August 2016. The Company appends the SGX's queries and its corresponding responses as follows:

Query 1: We note several inconsistencies in the Results Announcement. Some examples are:-

- (a) The Company had announced a profit for 2Q2016 and 2Q2015 in the income statement on page 1. However, on pages 7 / 8 of the Results Announcement, the disclosure made describes a Loss Per Share situation;
- (b) On page 9 of the Results Announcement, under Operating expenses paragraph (i), the explanation for the increase in selling and distribution expense does not tally with the breakdown provided; and
- (c) On page 11 of the Results Announcement, the disclosures under columns 3 and 4 of the table in relation to Interested Persons Transactions are incorrect or incomplete.

Please review the Results Announcement and make all relevant corrections.

Response:

- (a) The Board refers to paragraph 6 of the Results Announcement, which sets out the earnings per ordinary share of the Group for the current financial period. The Board wish to clarify and amend paragraph 6 of the Results Announcement as follows:

	Second quarter ended		Six months ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EPS – basic (RMB cents)	1.68	0.49	3.44	5.21

- (b) The Board refers to sub-paragraph (i) under the section "Operating Expenses" in paragraph 8(a) of the Results Announcement, of which the Board wish to amend as follows:

- (i) Selling and distribution expenses increased by approximately RMB8.46 million or 157.79% mainly due to an increase in marine freight of RMB5.40 million, an increase in the tugboat charges of RMB1.08 million and an increase in the land freight of RMB2.41 million, partially offset by a decrease in vehicle charge of RMB0.45 million.
- (c) The Board refers to paragraph 13 of the Results Announcement, which sets out a summary of the Interested Persons Transactions for the second quarter ended 30 June 2016. The Board wish to amend paragraph 13 of the Results Announcement as follows:

Name of interested person	Aggregate value of all interested person transactions for the financial period ended 30 June 2016 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than \$100,000) RMB'000
Chaozhou Huafeng (Group) Incorporation Ltd			
☐ Lease of LPG transportation vehicles		1,877	1,877
☐ Marine freight service	1,605	-	-
☐ Lease of LPG transportation vessel	1,231	-	-
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.			
☐ Sale of LPG	-	73,813	73,813
Chaozhou Huafeng Petroleum and Warehouse Co., Ltd.			
☐ Lease of storage tankers	-		-
☐ Purchase of petrol for car usage	-	-	-

Chaozhou Huafeng Refining Co., Ltd			
☐ Lease of port terminals, land use rights, office premises and staff dormitory	-	1,341	1,341
Chaozhou Kaihao Huafeng Gas Station Co., Ltd			
☐ Purchase of petrol for car usage	9	-	-

Query 2: Please provide reasons for the significant change in the following items:

- (a) 86.9% increase in inventories;
- (b) 25.8% increase in trade and other receivables;
- (c) 17.7% decrease in amounts due from related parties;
- (d) 99.9% decrease in available for sales investment; and
- (e) 148.1% increase in trade and other payables.

Response:

- (a) The Board refers to query 2(a) above and explains that in tandem with market demand, inventories have been increased accordingly by the Company. The procurement of goods and sales of the Company in the first half year of 2016 have increased to 79% and 96% respectively. In addition, the Company expects the price of LPG to increase in the near future, hence it has increased its inventories before any further rise in prices to save cost.
- (b) The Board refers to query 2(b) above and explains that in the light of an increase in sales, the Company has reassessed the credit terms granted to its customers and extended some credit terms by 20% to 50%. There was accordingly an increase in trade and other receivables.
- (c) The Board refers to query 2(c) above and explains that the Company requires more funds in the light of an increase in procurement of goods. In this regard, the Company has requested related parties to pay within a shorter period of time and therefore the amounts due from related parties have decreased.
- (d) The Board refers to query 2(d) above and explains that the Company has redeemed its short term bank wealth investment products amounting to a sum of RMB75,400,000 in January 2016 and accordingly such investments have decreased.
- (e) The Board refers to query 2(e) above and provides the following explanations: (i) procurement of goods by the Company has increased by 76% compared to that during the same period last year and inventories have increased accordingly; and (ii) the settlement of overseas procurement was

made by way of letter of credit. Upon the unloading of goods, they will be accounted as raw material and payables. Usually the letters of credit will be negotiated or discounted in the short term depending on the Company's cash flow. After that, payables will be changed to short term loans. In this regards, payables decrease while short term loans increase and vice versa.

Query 3: We note that the Group has a negative working capital of RMB70.97 million as at 30 June 2016. Please explain whether the Company and the Group is able to operate as a going concern and provide the basis for the directors' views, and whether all material information has been disclosed publicly to enable orderly trading in the Company's shares.

Response: The Board is of the opinion that the Company and the Group is able to operate as a going concern and provides the following basis for its views:

- (a) In first half year of 2016, the Company's sale of LPG has increased by 404,000 tons, amounting to an increase of 96% compared to the corresponding period last year. The Company has also recorded a gross profit and a net profit in the amounts of RMB67,515,000 and RMB13,199,000 respectively in first half year of 2016, which represents its good profitability and healthy cash flow. There is also an increase in customers and sales region has been expanded. Further, the Company has secured a one-year sale contract with a Philippine customer for the supply of 10,000 tons every month. The Company will continue exploring markets and customers and is confident about the sustainability of its business operations and achieving stable profitability;
- (b) The Group has implemented various measures and tighter cost controls on its operating expenses in order to improve its profitability and to generate positive cash inflow from its operations; and
- (c) The Group currently has an aggregate borrowing of RMB 312.2 million (as at 30 June 2016). The Board has evaluated all relevant facts available to them and are of the opinion that the Group has a good track record and relationship with financial institutions. This enhances the Group's ability to continue existing and/or obtain new credit facilities to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

In addition, the Board confirms that, to the best of its knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Liang Guo Zhan

Executive Chairman

22 August 2016