



OUHUA ENERGY HOLDINGS LIMITED

Financial Results

Third Quarter & Nine Months Ended 30 September 2006

29 November 2006



Agenda

Business Overview

Presented by Mr Liang Guo Zhan, Executive Chairman, Ouhua Energy Holdings Limited

Financial Performance

Presented by Mr Denis Mao, Chief Financial Officer, Ouhua Energy Holdings Limited

Prospects & Future Plans

Presented by Mr Liang Guo Zhan, Executive Chairman, Ouhua Energy Holdings Limited



OUHUA ENERGY HOLDINGS LIMITED

Business Overview



Company Highlights

Ouhua Energy is the **third-largest** importer and distributor of **Liquefied Petroleum Gas (LPG)** in the PRC

- **Strategically located in Guangdong Province, the largest consumer of LPG in PRC**
- **Tier-One distributor enjoying extensive integrated production facilities with annual designed production capacity of 900,000 tonnes**
- **Close to significant market of industrial end-users (such as ceramic makers) who require LPG in their production processes; able to make both land and sea deliveries and serve wide market of beyond 300 km in radius**



Corporate Milestones

2000 to 2003
LAYING THE
FOUNDATION

- Established as Huafeng Refining in March 2000
- Construction of its extensive port, processing and storage facilities completed in 3 years

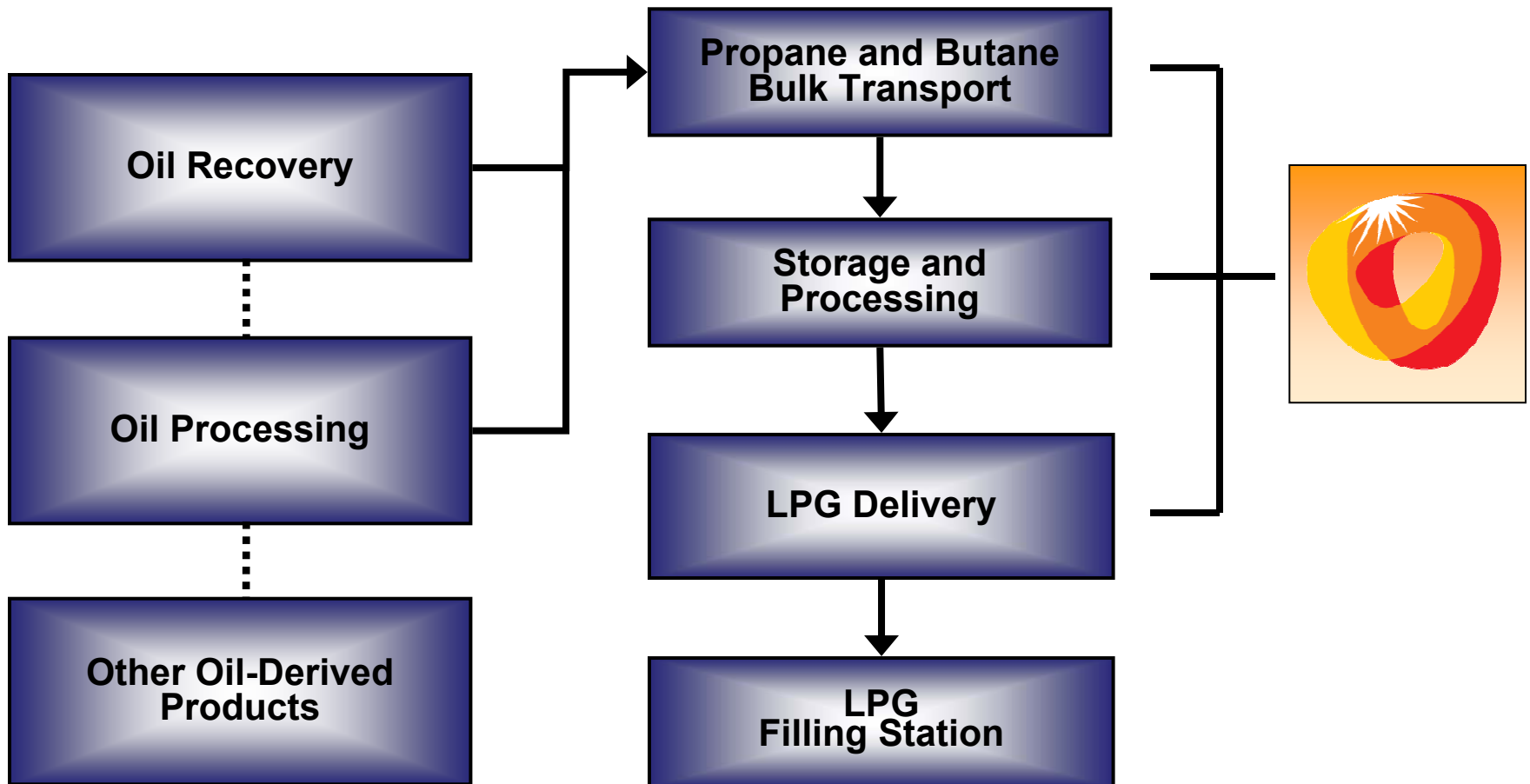
2003 to 2005
ESTABLISHING
MARKET
POSITION

- Obtained Tier-One licence
- Customer base more than tripled to over 200
- Established as the third-largest LPG distributor in the PRC
- Reaches near-full production utilisation in FY05

2006
SEEKING NEW
GROWTH
THRUSTS

- Group restructured as Ouhua Energy for listing on SGX
- 1 Oct, expanded production capacity to 900,000 tonnes from 600,000 tonnes per annum
- Expanding sales network and raising efficiencies will form bedrock of future growth

Industry Value Chain



Advantages of LPG

What is LPG and what are its benefits?

- LPG belongs to the family of gaseous hydrocarbons such as propane, butane, ethane, pentane and their mixtures
- These gases liquefy under moderate temperature, and are extracted through recovery of crude oil or processing crude oil

Portable <ul style="list-style-type: none">▪ Can be easily liquefied and stored in pressure containers▪ Easily transported in cylinders or tanks▪ Does not require fixed-pipe network and will not deteriorate▪ One of the highest caloric value per unit volume	Environmental Friendly <ul style="list-style-type: none">▪ Clean-burning and has lower greenhouse gas emissions▪ Non-toxic
Cost Efficient <ul style="list-style-type: none">▪ Energy efficient and hence cost effective	Convenience <ul style="list-style-type: none">▪ Numerous applications including cooking, heating, air-conditioning, automotive fuel, aerosol propellants etc



End Applications

Industrial



Ceramics Making



Metal Making



Glass Making

Commercial



LPG Buses



Taxis



Restaurants

Residential



Cooking



Heating



Hot Water

Production Facilities



Land Area

- **Approximately 131,684m²**

Port Terminals

- **1 x 50,000 tonne**
- **1 x 2,000 tonne**

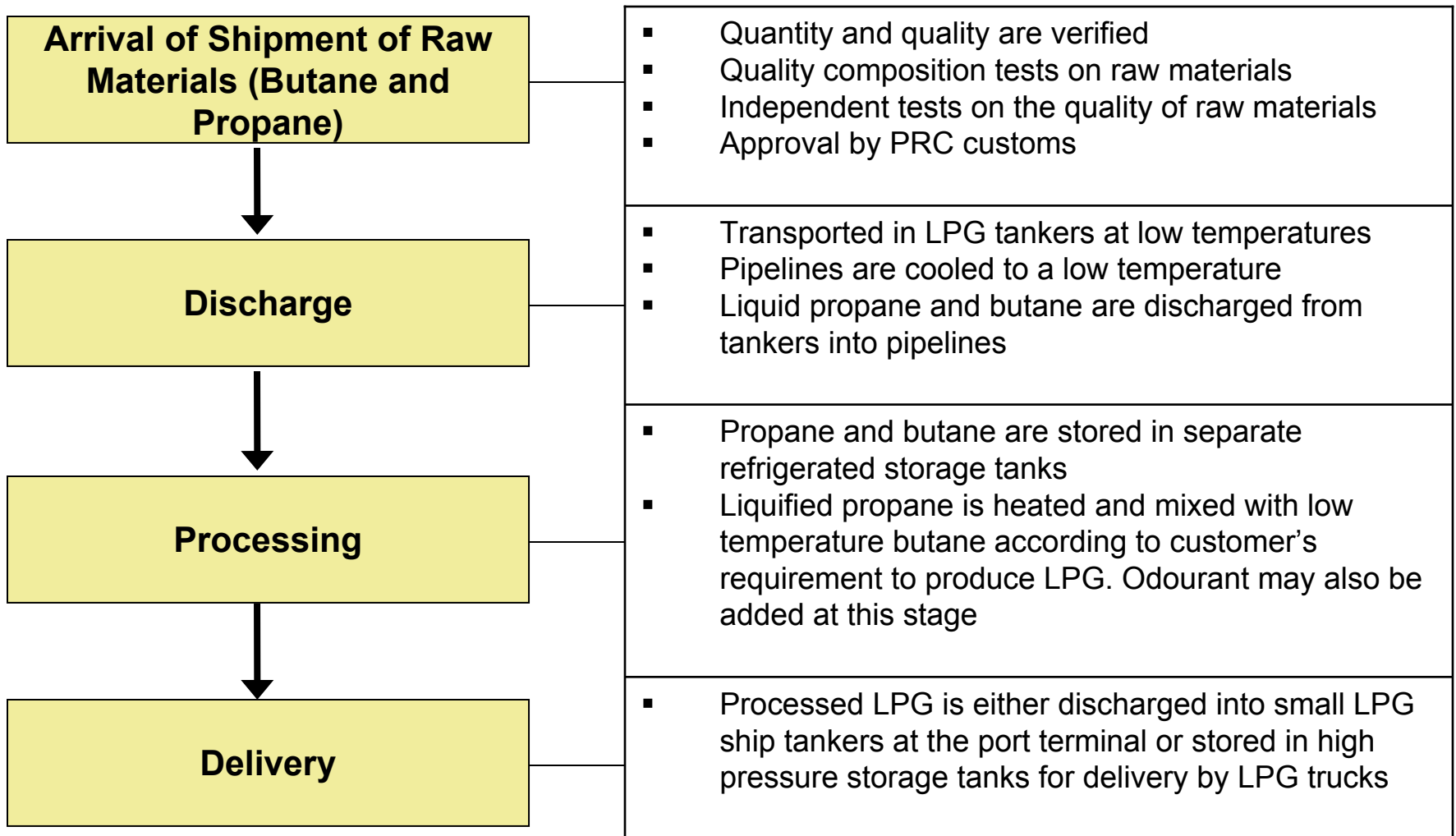
Storage Tanks

- **6 x 20,000m³ refrigerated tanks**
- **4 x 1,000m³ high pressure tanks**

Annual Designed Production Capacity

- **Expanded to 900,000 tonnes from 600,000 tonnes, with effect 1 Oct 2006**

Production Process



Production Overview



Imported raw materials received at own port



Discharge into high pressure system onsite



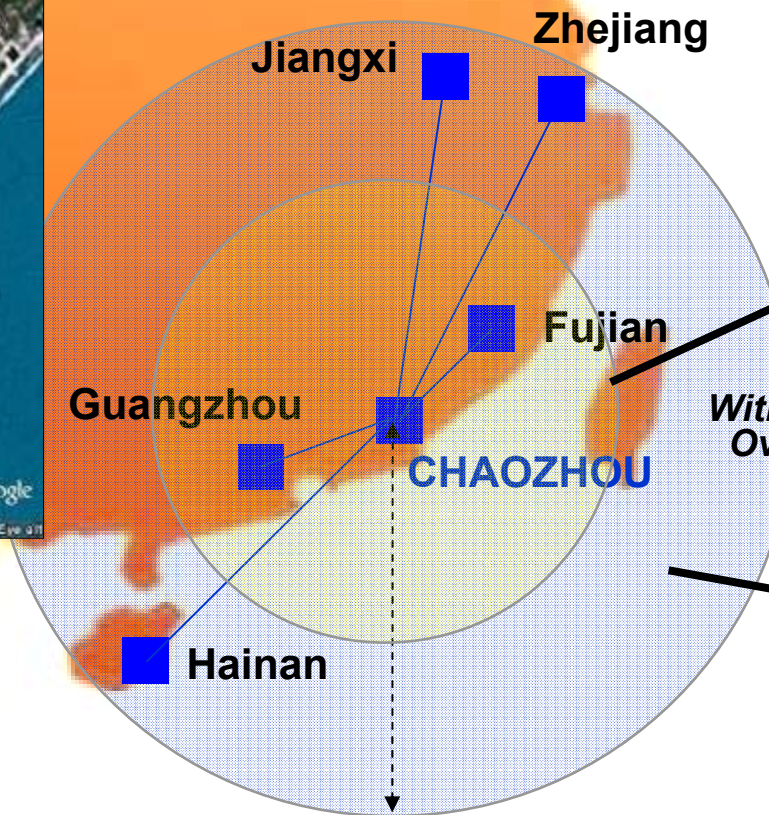
Direct delivery by either land or sea



Process into LPG according to clients' specs

Distribution Network

Ouhua is strategically located in Chaozhou City, Guangdong Province – in proximity to a spectrum of end-users in southern PRC



*Within 300km – served by land
Over 300km – served by sea*

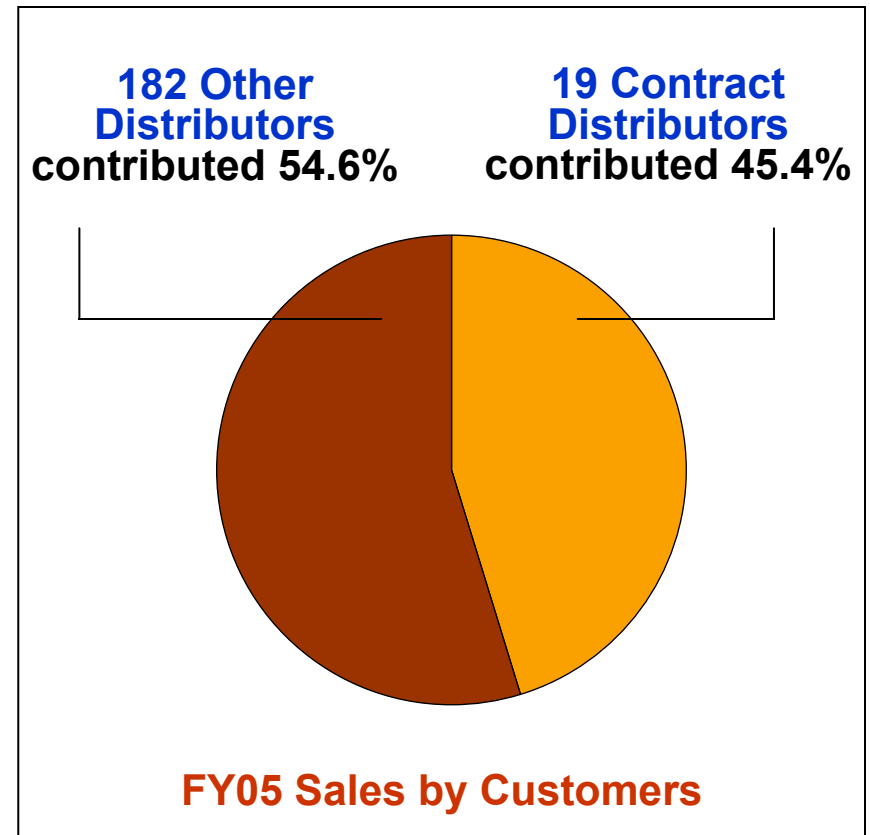


Source: Google Earth / Company

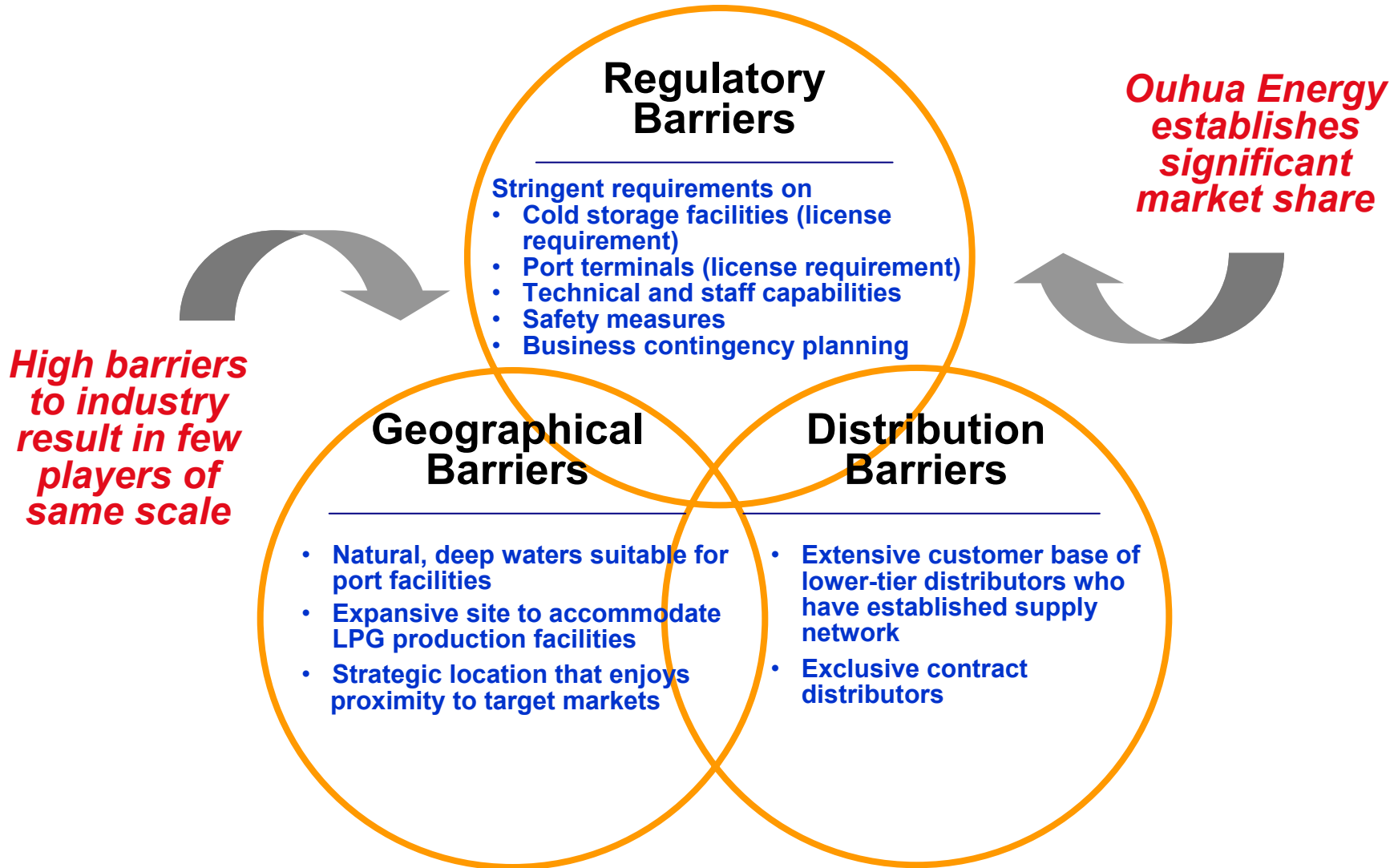
Customer Base

In a span of 3 years, Ouhua's customer base grew rapidly by **over three-fold** to more than 200 companies

- Ouhua's customers are tier-two and tier-three gas distributors who in turn supply to end-users. Contract distributors each owns at least 1 LPG retail station and distribute Ouhua's products exclusively
- **Transportation charges are borne by clients and approximately 70% of them are serviced by Ouhua Energy's fleet**



Competitive Strategy





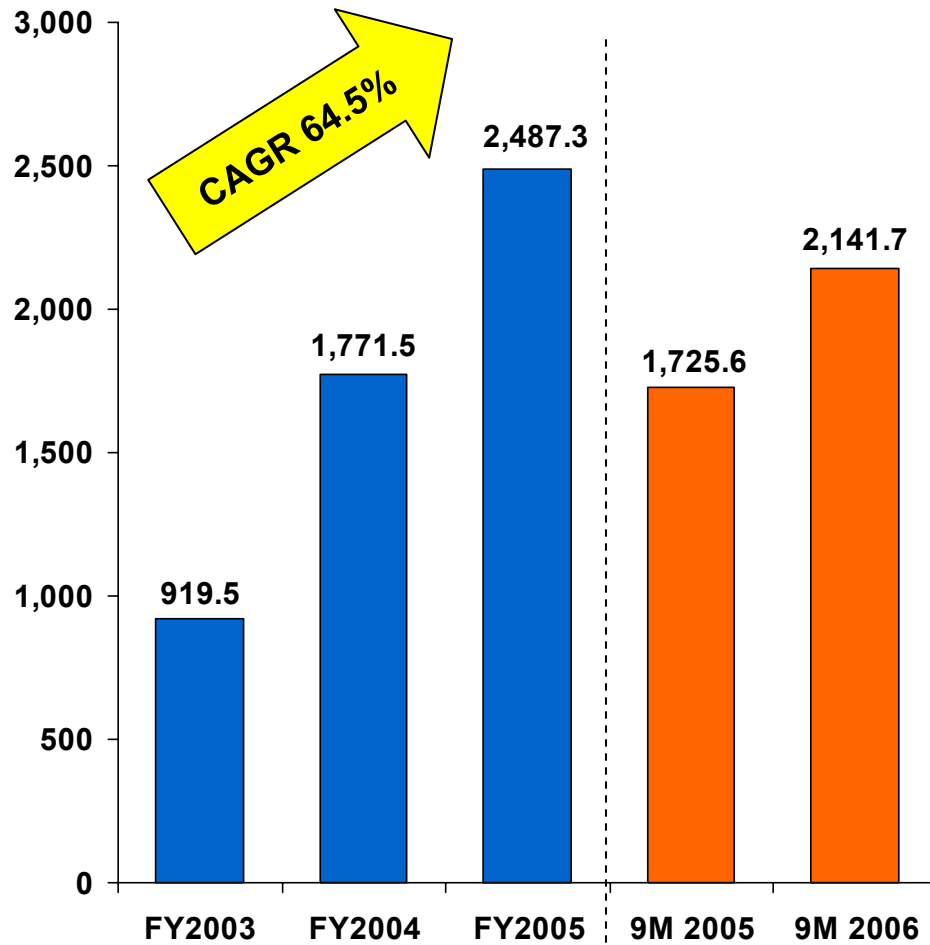
OUHUA ENERGY HOLDINGS LIMITED

Financial Performance

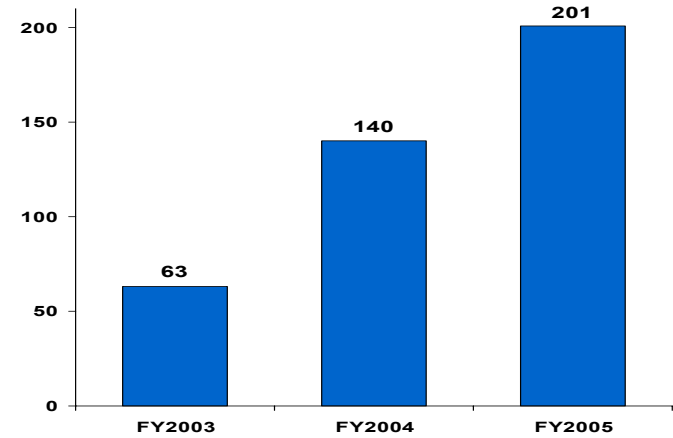


Revenue Growth

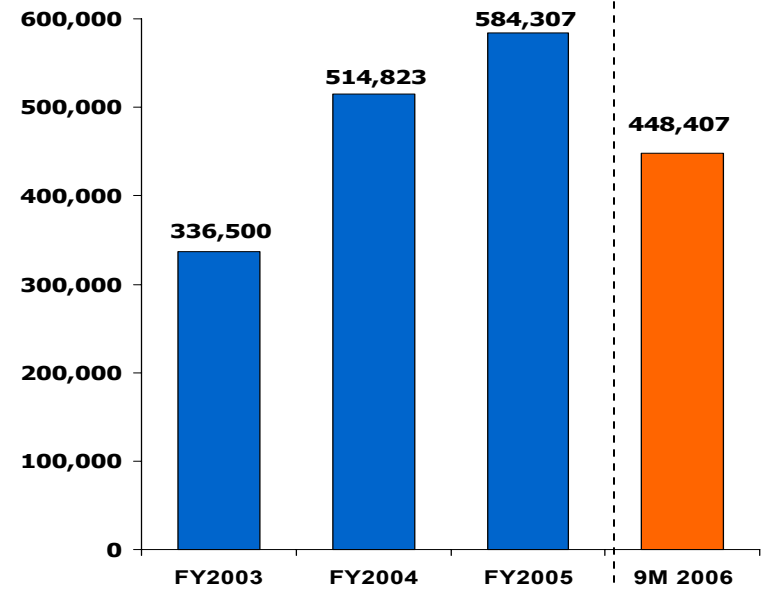
Revenue (RMB'million)



Customer Base

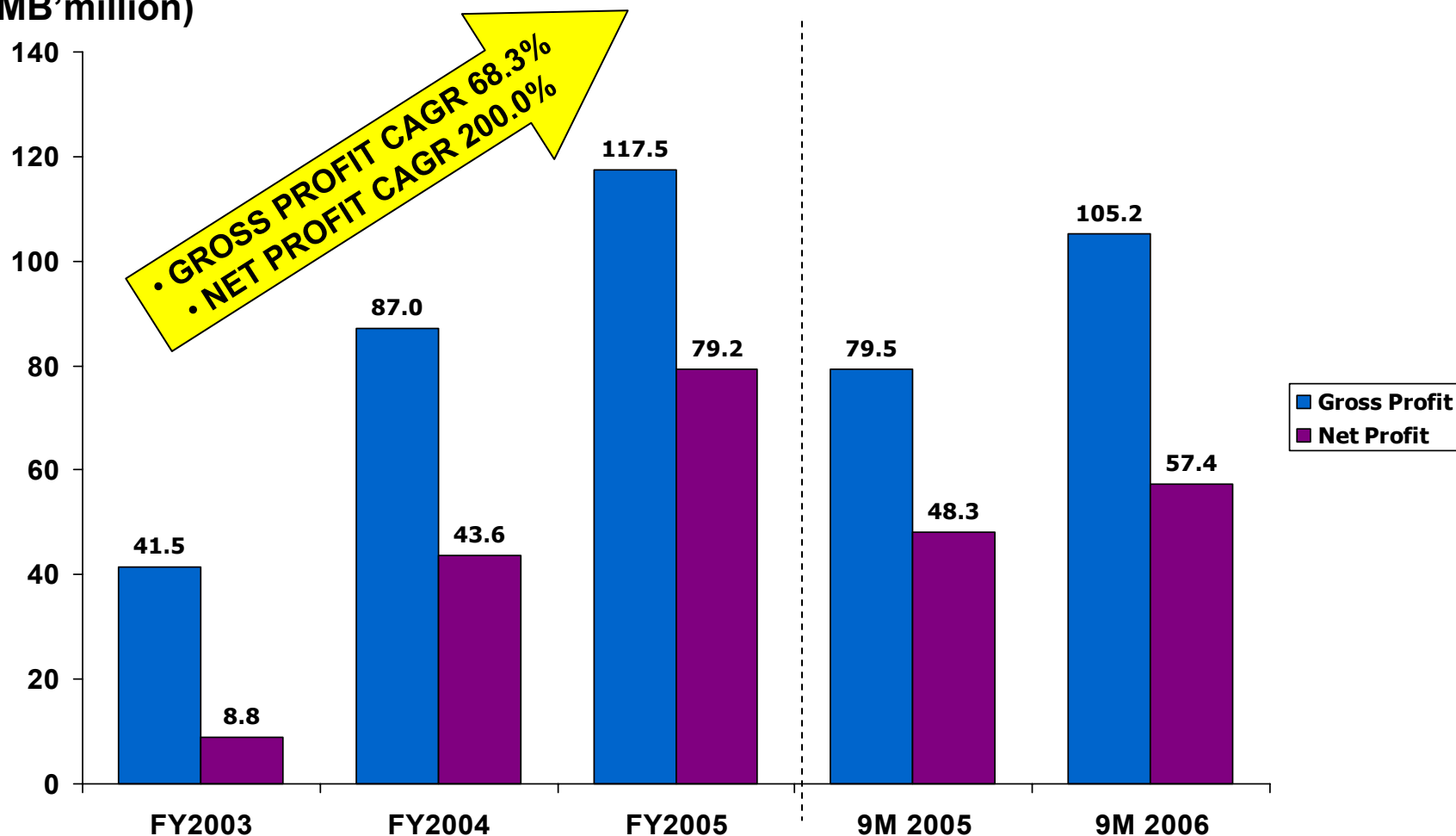


Sales Volume (tonnes)



Profit Growth

Gross and Net Profits¹
(RMB'million)



Notes: (1) Net profit refers to profit after tax from continuing operations had current Group structure been in place since FY03

3Q Highlights

RMB'million	3 months ended 30 September			9 months ended 30 September		
	2006	2005	% Change	2006	2005	% Change
Revenue	838.3	681.5	23.0	2,141.7	1,725.6	24.1
Gross profit	35.7	37.3	(4.3)	105.2	79.5	32.4
Profit before tax	20.6	31.0	(33.7)	65.1	48.3	34.9
Net profit after tax	18.5	31.0	(40.4)	57.4	48.3	18.9

- Net profit grew 18.9% in 9M FY06 to RMB57.4 million
- 3Q net profit weaker due to higher operating costs
 - Selling & distribution expenses : increase in sea freight expenses, tugboat charges and staff payroll
 - Administrative expenses : higher staff payroll, port charges, listing professional fees, a statutory contribution to local authorities

Key Financial Ratios

	FY03	FY04	FY05	30 Sep 06
Earnings per Share ¹ (RMB cents)	3.02	14.87	27.02	19.6
Gross Margins (%)	4.52	4.91	4.72	4.91
Net Margins (%)	0.96	2.46	3.19	2.68
Receivable Turnover Days	7	10	10	13
Payable Turnover Days	- [#]	8 [#]	32	42
Inventory Turnover Days	10	18	18	14
		31 Dec 04	31 Dec 05	30 Sep 06
Gearing Ratio (times)		0.41	N.A.	0.21
NAV ¹ (RMB cents)		52.73	85.68	64.6

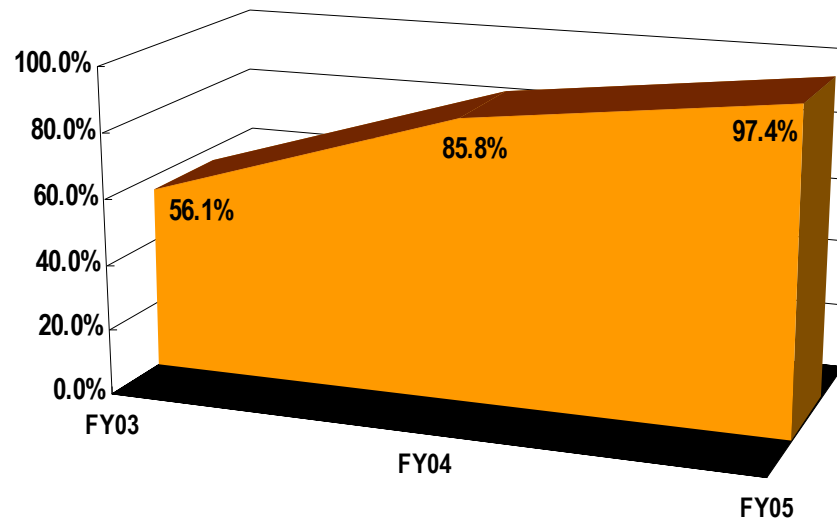
Notes:

(1) Calculated based on pre-invitation share capital of 293,288,000 shares

(#) Average trade payables turnover were nil in FY2003 and low in FY2004 as majority of purchases were made by Huafeng Incorporation on the Group's behalf as it had yet to obtain its own letter of credit facilities. Huafeng Incorporation is the investment holding company to Huafeng Refining prior to the restructuring.

Production Capacity Utilisation

Annual Production Capacity increased from 600,000 tonnes at the beginning of 2006 to 750,000 tonnes in July 2006 and subsequently to 900,000 tonnes as at 1 Oct 2006



Financial year ends 31 Dec	FY05	9M 2006
Designed Capacity / tonnes	600,000	900,000
Weighted Capacity over 300 days / tonnes	600,000	700,000
Actual Output / tonnes	584,307	448,407
Utilisation	97.4%	85.0%

4Q Outlook

- **Based on the Group's performance in October-November 2006, and the outlook for December 2006, the Directors expect the Group's performance in 4Q FY2006 to be significantly better than 3Q FY2006, barring any unforeseen circumstances**
- **In addition, our main operating subsidiary, Chaozhou Ouhua Energy Co Ltd, is entitled to full exemption from Enterprise Income Tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years from the first profitable year (after deducting losses carried forward)**
- **In this connection, the Group has decided to adopt this tax concession in FY2007 and pay EIT in FY2006**



OUHUA ENERGY HOLDINGS LIMITED

Prospects & Future Plans



Industry Prospects

Untapped Consumer Markets

- Per capita consumption of LPG is set to rise in tandem with growing spending power and rapid improvement in living standards
- Consumer spending in the PRC remains low when compared to other parts of the world, in particular the central and western parts of the PRC where LPG usage is still not prevalent

Demand from Chaozhou's Ceramics Industry

- As an important end-user of Ouhua Energy, Chaozhou's expanding ceramics industry will continue to generate strong demand for the Group's LPG in the region

Industry Prospects

Global Demand For LPG

- The global demand for LPG is also expected to increase in the near future with Asia likely to become the largest LPG market in the world
- As the PRC is a major market in Asia, Ouhua Energy will stand to benefit from the expected increase in demand for LPG based on its well established track record and large scale production facilities

Growing Environmental Concerns

- LPG's properties as a clean-burning and energy-efficient fuel is expected to attract growing demand amidst increasing efforts to promote a cleaner environment, and help the growth of LPG.
- With rising oil prices in recent years, the Group believes the usage of LPG as a fuel source for motor vehicles will also increase accordingly. LPG is currently being used as an alternative fuel source for motor vehicles in PRC

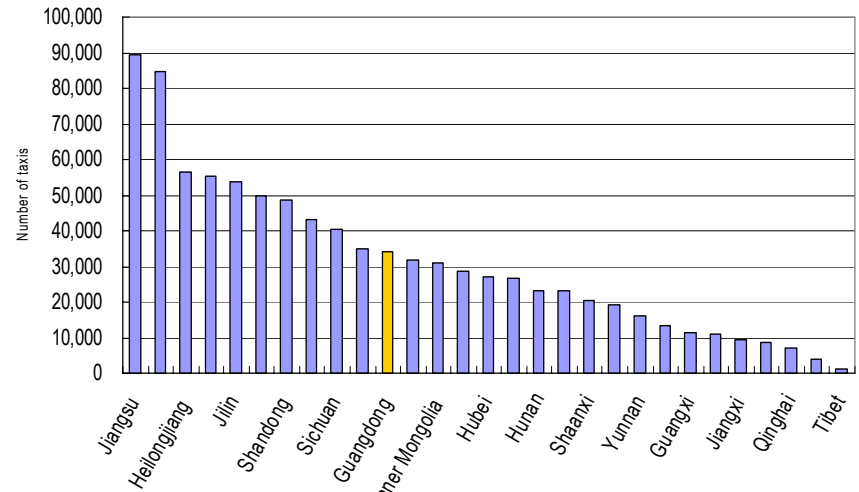
Supported Use of LPG

Illustration – Autogas Market in Guangdong

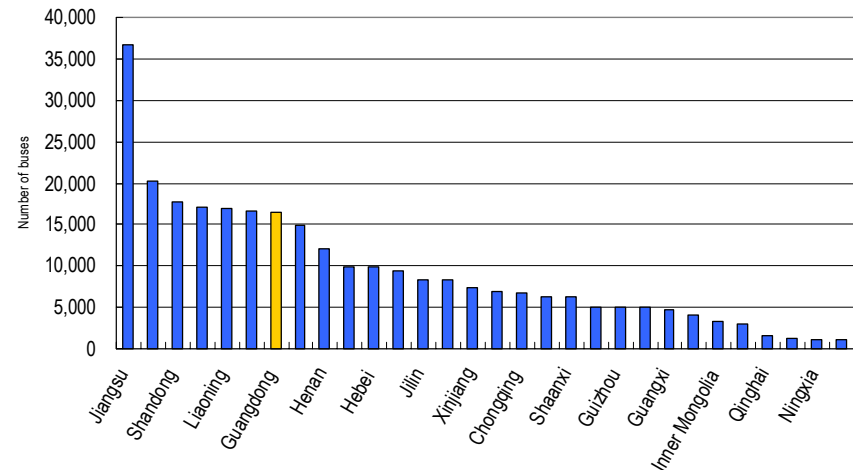
- In Sep 03, Guangzhou City launched an LPG usage campaign among taxis and buses. As of June 2006, 5,960 buses and 11,600 taxis were running on LPG, which represents 71.4% and 72.4% of totals respectively
- Guangzhou has one of the highest number of LPG - fuelled buses in any urban cities in the world

Source:
 广州：公交年底全面实现LPG化, Guangdong Jin Yang Network & Information Co. Ltd, 27 Jun 06 International Energy Agency

Number of Taxis per Province in 2004



Number of Buses per Province in 2004

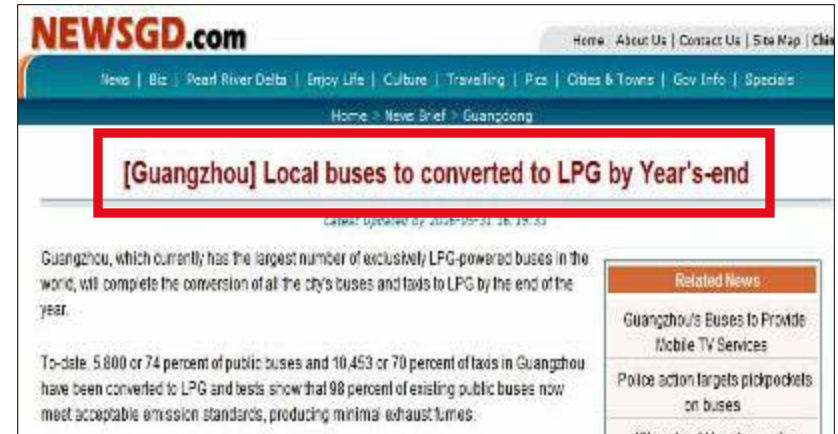


LPG Use Supported By Government



The screenshot shows the homepage of Guangzhou International. The header features the logo and the text "Guangzhou International" with the website address "www.gz.gov.cn". Below the header is a navigation menu with links for Home, Life, Business, Study, Travel, Basis, and Government. A red box highlights the headline "Guangzhou Will Keep on Boosting LPG Buses". Below the headline, the date and source are listed: "2006-07-07 10:51 Source : Guangzhou Daily". The main text of the article is as follows:

In a reply to The Proposal of Reconsidering Boosting LPG Buses and Taxi Alteration Plan proposed by members of Guangzhou People's Congress, the relevant department of Guangzhou Municipality noted that LPG is not the only option, but it is the best for Guangzhou. The LPG plan suits Guangzhou's traffic situation so the Communications Commission of Guangzhou Municipality will keep on boosting LPG buses as planned.



The screenshot shows the NEWSGD.com website. The header includes the site name and navigation links for Home, About Us, Contact Us, Site Map, and China. A secondary navigation bar lists categories like News, Biz, Pearl River Delta, Enjoy Life, Culture, Travelling, Pic, Cities & Towns, Gov Info, and Specials. A red box highlights the headline "[Guangzhou] Local buses to converted to LPG by Year's-end". Below the headline, the date and source are listed: "Latest Updated by 2006-07-26 18:53". The main text of the article is as follows:

Guangzhou, which currently has the largest number of exclusively LPG-powered buses in the world, will complete the conversion of all the city's buses and taxis to LPG by the end of the year.

To-date, 5,800 or 74 percent of public buses and 10,453 or 70 percent of taxis in Guangzhou have been converted to LPG and tests show that 98 percent of existing public buses now meet acceptable emission standards, producing minimal exhaust fumes.



The screenshot shows the CHINA Daily website. The header includes the site name and navigation links for Home, News, Business, Living in China, Forum, Weather, Subscribe, and Jobs. A secondary navigation bar lists categories like Home, News, Business, Living in China, Forum, Weather, Subscribe, and Jobs. A red box highlights the headline "Harbin turns to LPG to help curb pollution". Below the headline, the date and source are listed: "Updated: 2004-12-01 09:09". The main text of the article is as follows:

The capital of Northeast China's Heilongjiang Province has achieved preliminary success in promoting the use of environmentally-friendly fuels in its vehicles.

The number of vehicles powered by liquefied petroleum gas (LPG) has increased sharply to 5,000 in the past few years.

Nearly 30,000 tons of petrol and 30 million yuan (US\$3.6 million) can be saved annually from the move, according to the Harbin Municipal Development and Reform Commission.



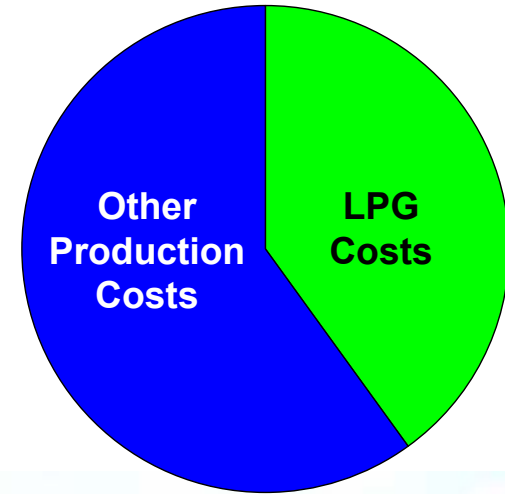
The screenshot shows the People's Daily website. The header includes the site name and navigation links for ENGLISH HOME, CHINA, BUSINESS, OPINION, WORLD, SCI-EDU, SPORTS, LIFE, PHOTO, FEATURES, and FORUM. A secondary navigation bar lists categories like Home, News, Business, Living in China, Forum, Weather, Subscribe, and Jobs. A red box highlights the headline "Buses in Beijing to Be Fueled by Imported LPG". Below the headline, the date and source are listed: "Updated: 2004-12-01 09:09". The main text of the article is as follows:

Buses in the Chinese capital Beijing are to use imported liquefied petroleum gas (LPG) as fuel, "Beijing Morning Post" reported Thursday.

Industrial End Users

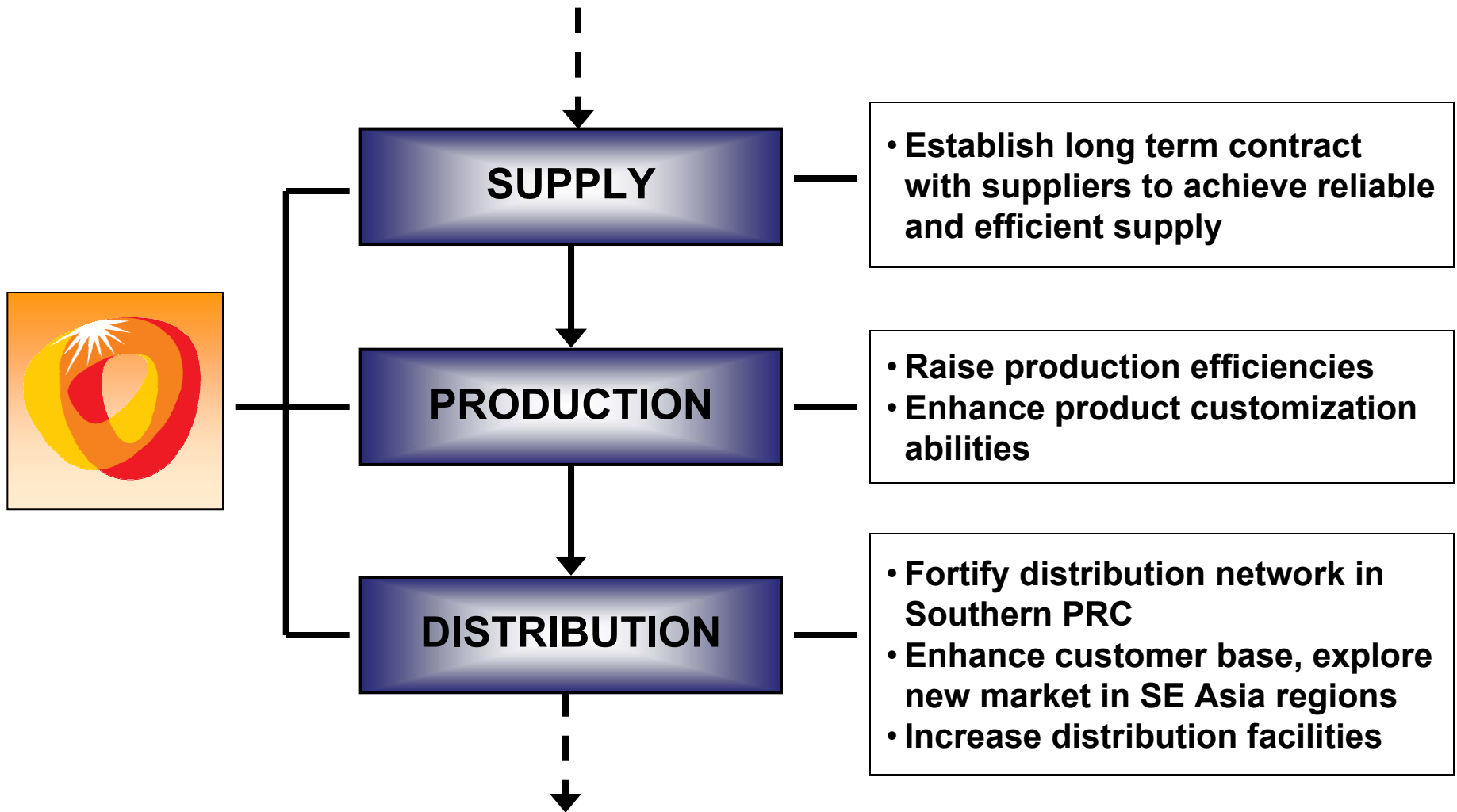
Chaozhou's Ceramics Industry & LPG

- Chaozhou City is the nation's largest ceramics producer and exporter growing at more than 20% p.a. The entire national market is currently valued at RMB 16 billion
- The ceramics industry is an important end-customer of LPG as it uses this fuel source intensively. Over 30% of its production costs go to LPG costs



Source: www.cnjdz.net; www.southcn.com

Growth Strategy



Future Plans

DISTRIBUTION

Expand sales and distribution networks in the PRC

Increase marketing efforts to overseas customers

PRODUCTION

Acquire additional plant and machinery, computerise production workflow so as to **upgrade existing facilities** and **improve production efficiency**, including

- *Dyke for 24/7 offload*
- *PLC (Program Logistic Control) system*
- *Increase capacity of valves & pipelines*





OUHUA ENERGY HOLDINGS LIMITED

Thank You

