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

RESPONSES TO SECURITIES INVESTORS ASSOCIATION SINGAPORE QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

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 Securities Investors Association Singapore (the "**SIAS**") on 14 April 2025 in relation to the Company's annual report for the financial year ended 31 December 2024 ("**FY2024**") (the "**Annual Report**"). The Company's responses to the queries are as follows:

1. SIAS Query

In FY2024, LPG sales volume declined significantly from 761,285 tonnes to 572,967 tonnes although the group states that it holds approximately 40% market share in the local LPG market in its corporate profile.

(i) Can management provide insights into customer behaviour in the LPG segment? Specifically, how price-sensitive are customers, and to what extent is customer retention driven by service reliability, contractual relationships, or pricing?

(ii) Did the group maintain its local market share of ~40%?

(iii) Given the significant volume decline since FY2022, were there any operational issues that contributed to the contraction?

Gross profit fell sharply by RMB104.2 million or 74.7%, from RMB139.5 million in FY2023 to RMB35.3 million in FY2024. The group recorded a pre-tax loss of RMB55.2 million and a net loss of RMB69.6 million. Meanwhile, key expenses—including selling and distribution, administrative, and other operating expenses—remained elevated despite the steep drop in sales volume.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	2,664,594	3,362,603
Cost of sales		(2,629,287)	(3,223,072)
Gross profit		35,307	139,531
Other operating income	5	6,363	8,493
Selling and distribution expenses		(54,516)	(63,332)
Administrative expenses		(20,200)	(20,313)
Other operating expenses		(22,126)	(20,089)
(Loss)/Profit from operations		(55,172)	44,290
Finance costs	6	(21,437)	(18,596)
(Loss)/Profit before income tax	7	(76,609)	25,694
Income tax	9	7,052	(6,913)
(Loss)/Profit for the financial year		(69,557)	18,781

(iv) Was the collapse in gross margin largely attributable to poor inventory cost control or a failure to anticipate price movements?

(v) What steps did management take to better manage costs, and why did "selling and distribution", "administrative", and "other operating" expenses remain high despite a significant drop in sales volume?

(vi) Did the board conduct a formal performance review of management in light of the substantial losses? What accountability mechanisms are in place to ensure that underperformance is addressed?

Company's Response

(i) The Company primarily focuses on the LPG wholesale market. Its customers are mainly industrial consumers and LPG distributors. Several factors would impact the LPG wholesale segment, including price, the price of alternative energy sources, demand, stable supply, and others. Due to the global economic decline and slowdown in recent years, demand for traditional energy from industrial customers has become more price-sensitive. In this regard, above all other factors, the competitive price advantage between LPG and alternative energy sources has become the most important consideration for industrial customers.

In recent years, the traditional energy market has experienced price fluctuations due to geopolitical influences. To maintain cost efficiency, many industrial customers switched between LPG and liquefied natural gas ("LNG") based on price. LNG prices increased significantly in FY2021 and FY2022, reaching their peak in FY2022. Many industrial customers subsequently switched from LNG to LPG to control costs. The Company benefited from this trend, reaching a historical sales volume peak of 761,285 tonnes in FY2022.

In FY2024, the significant drop in LNG prices directly affected the market demand for LPG and, consequently, the Company's sales revenue. Meanwhile, China's domestic economic growth slowed in FY2024, resulting in lower-than-expected industrial gas demand. These two factors combined to cause a decline in the LPG market in FY2024.

(ii) The Company is a major LPG supplier in its local industrial market. It has maintained a market share ranging from 30% to 50% for over a decade, with an average market share of approximately 40%.

(iii) The volume decline since FY2022 has been explained above in response (i). Market fluctuations and economic changes were the main contributors to the contraction. Nevertheless, the

management team will further strengthen operational management to improve the performance of the Company.

(iv) As explained above in response (i), the significant drop in LNG prices directly affected market demand for LPG. Many LPG suppliers operated with very low gross margins in FY2024. To retain customers and maintain market share, the Company followed market pricing, which resulted in a decline in gross margin.

(v) The Company has adopted a "cost control" policy for many years. All the expenditures and investments would be strictly reviewed and approved only if they are necessary and efficient. Nevertheless, selling and administrative expenses are unavoidable in order to maintain the Company's normal operations and market share. Most of these expenses are not significantly influenced by decreased sales volume.

(vi) The Company reviews management performance on a monthly and annual basis. 25% of the management's remuneration is related to the Company's performance.

2. <u>SIAS Query</u>

The attendance of directors at board and board committee meetings is shown on page 18 of the annual report.

(i) Can the company let shareholders know if one board meeting was held with just one independent director in attendance, along with one non-executive director and two executive directors? If so, how does the board evaluate the impact on decision-making and independence in such meetings?

(ii) Similarly, were certain board committee meetings held with just one independent director in attendance, along with one non-executive director and two executive directors? If key board committee meetings were conducted with minimal independent representation, how were key oversight functions safeguarded?

(iii) Does the board consider the current level of independence sufficient to provide effective checks and balances? Has the board conducted a recent board effectiveness review?

(iv) Can the company confirm that the two directors (Ms Liang Yaling and Ms Agnes Kang Shwu Huey) do not have any current principal commitments?

<u>Company's Response</u>

(i) Two Board meetings were held with two independent directors in attendance, along with one non-executive director and two executive directors. In both these meetings, the number of non-executive directors constituted a majority of the Board to ensure that there is a sufficient level of independence in line with the Code of Corporate Governance 2018.

The first Board meeting in FY2024 was attended by the following directors:

(a) Mr Liang Guo Zhan – Executive Chairman and Chief Executive Officer
(b) Mr Zhang Jinming – Executive Director
(c) Mr Gerald Yeo @ Yeo Ah Khe – Lead Independent Non-Executive Director (who had resigned with effect from 25 April 2024)
(d) Mr Limjoco Ross Yu – Independent Non-Executive Director
(e) Ms Liang Yaling – Non-Executive Director

The second Board meeting in FY2024 was attended by the following directors:

(a) Mr Liang Guo Zhan – Executive Chairman and Chief Executive Officer
(b) Mr Zhang Jinming – Executive Director
(c) Mr Limjoco Ross Yu – Lead Independent Non-Executive Director
(d) Ms Liang Yaling – Non-Executive Director

(e) Ms Agnes Kang Shwu –Independent Non-Executive Director (who was appointed with effect from 25 April 2024).

(ii) Similarly, the two Audit Committee ("**AC**") meetings held in FY2024 were held with two independent directors in attendance, along with one non-executive director and two executive directors. In both these meetings, the number of non-executive directors constituted a majority of the Board to ensure that there is a sufficient level of independence in line with the Code of Corporate Governance 2018.

The first AC meeting in FY2024 was attended by the following directors:

(a) Mr Liang Guo Zhan – Executive Chairman and Chief Executive Officer
(b) Mr Zhang Jinming – Executive Director
(c) Mr Gerald Yeo @ Yeo Ah Khe – Lead Independent Non-Executive Director (who had resigned with effect from 25 April 2024)
(d) Mr Limjoco Ross Yu – Independent Non-Executive Director
(e) Ms Liang Yaling – Non-Executive Director

The second AC meeting in FY2024 was attended by the following directors:

(a) Mr Liang Guo Zhan – Executive Chairman and Chief Executive Officer
(b) Mr Zhang Jinming – Executive Director
(c) Mr Limjoco Ross Yu – Lead Independent Non-Executive Director
(d) Ms Liang Yaling – Non-Executive Director
(e) Ms Agnes Kang Shwu –Independent Non-Executive Director (who was appointed with effect from 25 April 2024).

(iii) In view of the responses under responses (i) and (ii) above, the Board considers the current level of independence sufficient to provide effective checks and balances in line with the Code of Corporate Governance 2018 and the Nominating Committee has also conducted a Board effectiveness review with satisfactory results.

(iv) The principal commitments of Ms Liang Yaling and Ms Agnes Kang Shwu Huey have been set out at pages 13 and 14 of the FY2024 Annual Report, respectively. Ms Liang Yaling is currently the General Manager of Human Resources Department at Chaozhou Huafeng Group Co. Ltd and Ms Agnes Kang Shwu Huey is currently employed as group chief financial officer and head of overseas development with Econ Healthcare (Asia) Limited.

3. SIAS Query

The company is seeking shareholder approval to renew its share buy-back mandate at the upcoming annual general meeting scheduled for 29 April 2025.

The circular can be found here:
https://links.sgx.com/FileOpen/Ouhua%20-%20SBB%20Circular%20FY2024v2.ashx?App=Announcement&FileID=839414

The Company is a Bermuda-incorporated entity, and the share buy-backs are made in according with the Bermuda Companies Act, as well as SGX listing rules. Under the proposed mandate, the company would be authorised to repurchase up to 10% of its total issued shares. As at 17 October 2024, the company had repurchased 2,886,900 shares since the last mandate renewal and holds a total of 10,336,900 treasury shares.

(i) How does the board determine the price threshold and timing for executing share buy-backs? What are the quantitative and qualitative criteria used (e.g. discount to NAV, liquidity conditions, net borrowings)?

(ii) Did the board consider undertaking a fair and transparent equal access offer to all shareholders instead of on-market repurchases?

(iii) What are the specific plans for the treasury shares?

Company's Response

(i) The price threshold is set at 100%–105% of the 5-day average trading price. The execution will occur when a sell order at the appropriate price appears in the market. The Company's stock liquidity has been very poor, with little active buying interest for many years. Therefore, such repurchases are done by the Company in order to improve market sentiment and bolster investor confidence in line with regulatory compliance and governance requirements. Before considering any repurchase of shares, the Directors will confirm that it is within the share buyback mandate and also ensure that any single repurchase is ⩽15% of the latest cash position of the Company.

(ii) The Company will fully consider this suggestion. The Company will take into consideration more diversified capital market tools in the future, once its performance has improved and normal operations have resumed.

(iii) If the liquidity of the Company's stock improves, the treasury shares will be sold in the open market at an appropriate time. Meanwhile, management also plans to use treasury shares for the introduction of strategic investors under suitable conditions.

By Order of the Board

Liang Guo Zhan
Executive Chairman
28 April 2025