



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

RESPONSES TO SGX-ST QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 (the "SGX-ST") on 8 April 2021 in relation to the Company's annual report for the financial year ended 31 December 2020 ("FY2020") (the "Annual Report"). The Company's responses to the queries are as follows:

1. SGX-ST Query

Listing Rule 907 requires issuers to disclose the aggregate value of interested person transactions entered into during the financial year under review in its report. The name of the interested person, nature of relationship and the corresponding aggregate value of the interested person transaction entered into with the same interested person must be presented in the format provided in Listing Rule 907.

We note that the Company did not disclose the requisite information in the prescribed presentation format. Please do so accordingly.

Company's Response

The aggregate value of interested person transactions entered into during FY2020 is as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions for the financial period ended 31 December 2020 (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 for the financial period ended 31 December 2020 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	-	4,020
Chaozhou Huaxin Energy Co.,Ltd	• Lease of storage facilities	-	3,540
Chaozhou Zhongkai Huafeng Energy Retail Chain Co., Ltd.	• Sale of LPG	-	129,795
Chaozhou Huafeng Refining Co., Ltd	• Lease of port terminals, land use rights, office premises and staff dormitory	-	2,312
Guangdong Huafeng Zhongtian LNG Co., Ltd	• Lease of port terminals, land use rights, office premises and staff dormitory	-	3,429

2. SGX-ST Query

Listing Rule 704 provides, inter alia, that an issuer must announce any material adjustments to its preliminary full-year results made subsequently by auditors.

We note that there are material variances in the values for: (a) cash used in operating activities; and (b) net cash used in operating activities, in the Company's full-year financial statements announced on 1 March 2021 and the Annual Report. Please explain the reason for the material variances and why the Company has not made an announcement in this regard.

Company's Response

We had checked with our auditors to make sure no major discrepancies arising in our statements prior to the announcement being released on 1 March 2021. The variances in our cash flow statement mainly come from two further adjustments being made in Annual Report; one is for reclassification of Margin Deposit amounting to RMB1,613,000 from Cash and cash equivalent to Cash flows used in operating activities, while the other refers to reclassification of Due to Related Party with an amount of RMB(357,000) from Cash flows used in operating activities into Cash flows generated from financing activities. With the total impact of RMB1.2 million, we do not consider the variances in (a) cash used in operating activities; and (b) net cash used in operating activities, as material ones since both fall far below 1% of our RMB2.3 billion gross revenue in FY2020. Meanwhile, we do not think it cause real change of our cash flow statement in nature. Hence, we have not triggered the procedure to make further announcement to clarify the differences in the Company's unaudited full-year financial statements announced on 1 March 2021 and the Company's audited full-year financial statements contained in the Annual Report.

3. SGX-ST Query

We note that the Company stated on page 34 of the Annual Report that "the AC is satisfied that the internal auditors are staffed by qualified and experienced personnel".

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please comply with the said Listing Rule.

In addition, please provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's Response

The Company has explained in page 34 of its FY2020 Annual Report that:

(i) The Board recognises the importance of maintaining a system of internal controls to safeguard the shareholders' investments and the Company's assets. The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the management that the Group's risk management, controls and governance processes are adequate and effective.

(ii) The Company has appointed internal auditors to perform the review and test of controls of the Group's processes including the review of interested person transactions. The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors.

(iii) The AC annually reviews the adequacy of the internal auditors to ensure that the internal audits are performed effectively. The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel.

(iv) The internal auditors report directly to the Chairman of the AC, and meets with the AC at least twice a year for internal audit planning and reporting. The internal auditors have unfettered access

to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

(v) The AC reviews and approves the annual internal audit plans and reviews the scope and results of the internal audit performed by the internal auditors at least twice a year to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function."

The AC is satisfied that internal function is independent, effective and adequately resourced. The head of the internal audit function team is Lim Zhuoxu (Audit Manager) who has 15 years of internal audit experience. Members of the internal audit team also have relevant academic qualifications, professional certifications and internal audit experience.

4. SGX-ST Query

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.2 of the Code as independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations were provided for in your FY2020 Annual Report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response

The Company has deviated from Provision 2.2 of the Code and has explained in page 21 of its FY2020 Annual Report as follows:

- (a) Whilst the prevailing applicable principle of the Code would be that majority of the Board comprise Independent Directors since the Executive Chairman, Mr Liang Guo Zhan, and the CEO is the same person, the Board is satisfied that the Principle that there be a strong and independent element is still adhered to. This is because all the Board Committee meetings are chaired by the Independent Directors, and the majority of the Board comprises Non-Executive Directors who have been consistently proven to be exercising independent business judgement with a view to the best interests of the Company. The Non-Executive Director and/or Independent Director, when necessary led by the Lead Independent Director, will have discussions amongst themselves without the presence of the Management and provide feedback to the Board and/or Chairman as appropriate.
- (b) The current Board comprises four (4) members, with two (2) out of four (4) being Independent Directors, from different backgrounds whose core competencies, qualifications, skills and experiences, meet with the requirements of the Group. In recognition of the importance and value of gender diversity in the composition of the Board, the Board has a female director, representing 25% of total Board membership.
- (c) In addition, the Board consists of Directors of different ages ranging from more than 50 years old to more than 70 years old, to allow for a more diversified contribution to the Board. Taking the foregoing as well as the scope and nature of the operations of the Company into consideration, the Board is of the view that the Directors, on the whole, have an appropriate balance and mix of skills, knowledge, experience, age, gender and diversity of thoughts so as to foster constructive debate with a high level of independent thinking. Hence, the Board believes that the existing composition of the Board effectively serve the Group and that the Board has the appropriate level of balance and mix to enable it to avoid groupthink and have constructive discussions in the best interests of the Company, consistent with the intent of Principle of the Code.

The Board is of the view that the disclosures set out at page 21 of the Company's FY2020 Annual Report would provide shareholders with better understanding of the level of independence and diversity of thought and background in the Board's composition to enable it to make decisions in the best interest of the Company, and are therefore consistent with the intent of Principle 2 of the Code.

5. SGX-ST Query

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2020 Annual Report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response

The Company has deviated from Provision 2.4 of the Code and has explained in page 21 of its FY2020 Annual Report as follows:

- (a) Whilst the prevailing applicable principle of the Code would be that majority of the Board comprise Independent Directors since the Executive Chairman, Mr Liang Guo Zhan, and the CEO is the same person, the Board is satisfied that the Principle that there be a strong and independent element is still adhered to. This is because all the Board Committee meetings are chaired by the Independent Directors, and the majority of the Board comprises Non-Executive Directors who have been consistently proven to be exercising independent business judgement with a view to the best interests of the Company. The Non-Executive Director and/or Independent Director, when necessary led by the Lead Independent Director, will have discussions amongst themselves without the presence of the Management and provide feedback to the Board and/or Chairman as appropriate.
- (b) The current Board comprises four (4) members, with two (2) out of four (4) being Independent Directors, from different backgrounds whose core competencies, qualifications, skills and experiences, meet with the requirements of the Group. In recognition of the importance and value of gender diversity in the composition of the Board, the Board has a female director, representing 25% of total Board membership.
- (c) In addition, the Board consists of Directors of different ages ranging from more than 50 years old to more than 70 years old, to allow for a more diversified contribution to the Board. Taking the foregoing as well as the scope and nature of the operations of the Company into consideration, the Board is of the view that the Directors, on the whole, have an appropriate balance and mix of skills, knowledge, experience, age, gender and diversity of thoughts so as to foster constructive debate with a high level of independent thinking. Hence, the Board believes that the existing composition of the Board effectively serve the Group and that the Board has the appropriate level of balance and mix to enable it to avoid groupthink and have constructive discussions in the best interests of the Company, consistent with the intent of Principle of the Code.

Further to the foregoing, and as disclosed in page 23 of the Company's FY2020 Annual Report, the Board has also appointed a Lead Independent Director, which should strengthen the independence of the Board.

The Company's board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the Company's response to Question 4 above.

6. SGX-ST Query

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 3.1 of the Code as the Company’s Chairman and CEO position is filled by the same person, and there were no explanations were provided for in your FY2020 Annual Report on how it is consistent with the intent of Principle 3 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Company’s Response

The Company has deviated from Provision 3.1 of the Code and has explained in page 23 of its FY2020 Annual Report that:

“(i) The Company has not created separate positions of Chairman and CEO as the Board is of the view that there are adequate measures in place against an uneven concentration of power and authority in one individual. The roles for both Chairman and CEO of the Company are assumed by Mr Liang Guo Zhan. As such, Mr Liang bears executive responsibility for the Group’s business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

(ii) Although the roles and responsibilities for Chairman and CEO are vested in Mr Liang, major decisions are made in consultation with the Board which comprises a majority of Independent and Non-Executive Directors. Mr Liang’s performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the RC. The majority of both the NC and the RC comprise only the Independent Directors. The Board believes that there are adequate measures in place against an uneven concentration of power an authority in one individual, including but not limited to the appointment of a Lead Independent Director as elaborated below, in line with the Code’s requirements.

(iii) In view of the above and in line with the Code, Mr Gerald Yeo @ Yeo Ah Khe has been appointed as the Lead independent Director by the Company to enhance the independence of the Board and to assist the Chairman in the discharge of his duties when the need arises. As the Lead Independent Director, he is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman, CEO or Chief Financial Officer (“CFO”) of the Group has failed to resolve or where such communication is inappropriate. When necessary, the Independent Directors will have discussions amongst themselves as led by the Lead Independent Director.”

The Company has not created separate positions of Chairman and CEO as the Board is of the opinion that Mr Liang, with his background, knowledge and experience, will facilitate efficient decision-making process and bring greater value to the Group. Taking into account the current corporate structure, size and nature of the operations of the Group into consideration, the Board is of the view that notwithstanding that the Chairman and CEO is the same person, there are sufficient safeguards and checks to ensure the independent exercise of objective judgement on affairs and operations of the Group. The Company wishes to clarify that:

- (i) The performance of the Chairman is reviewed by the Nominating Committee, through the conduct of peer evaluation by Nominating Committee members.
- (ii) The Board conducts regular scheduled meetings on a half yearly basis to keep the Board updated on the Group’s financial position, business activities and the overall business environment in which the Group operates and to review half-year and full-year results announcements.
- (iii) Ad-hoc meetings are held as and when required to address significant issues that may arise.

- (iv) When a physical meeting is not possible, timely communication with the Directors is achieved through electronic means and the Board/Board Committees' approval is sought for important and critical matters concerning the Company via circulation of written resolutions.
- (v) All the Board Committees are chaired by Independent Directors.
- (vi) As disclosed on page 23 of the FY2020 Annual Report, the Company has appointed Gerald Yeo @ Yeo Ah Khe the Lead Independent Director to enhance the independence of the Board and to assist the Chairman in the discharge of his duties when the need arises. As the Lead Independent Director, he is the contact person for shareholders in situations where there are concerns or issues which communication with the Chairman, CEO or CFO of the Group has failed to resolve or where such communication is inappropriate. When necessary, the Independent Directors will have discussions amongst themselves as led by the Lead Independent Director.
- (vii) The Board applies the principle of clear division of responsibilities at the top of the Company. The workings of the Board and the executive responsibility of the Company's business are separated to ensure a balance of power and authority and that no one individual Director has unfettered powers of decision-making.

7. SGX-ST Query

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provisions 8.1 of the Code with regards to the disclosure of remuneration (e.g. disclosure of the exact remuneration of directors and CEO). Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's Response

The Company has deviated from Provision 8.1 of the Code and has explained in pages 28 to 29 of its FY2020 Annual Report that:

"(iii) The Company has not disclosed the exact details of the remuneration of each individual Director or key management personnel as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

(ii) In considering the disclosure of remuneration of the five (5) key management personnel of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the Company's interest. The annual aggregate remuneration paid to these five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2020 is RMB1,120,611."

As the Company operates in a highly competitive industry, the disclosure of the exact details of the remuneration of each individual director and key management personnel would adversely impact the Company's operations and business due to the sensitive nature of such information.

While the exact remuneration of the Directors were not given, on pages 28 and 29 of the Company's FY2020 Annual Report, the Company had disclosed, the level and mix remuneration, in percentage terms by a single band of S\$250,000, of the Executive Directors and CEO into various categories of compensation, namely, (i) base/fixed salary, (ii) variable or performance related income, (iii) Directors' fees, and (iv) other benefits. The Company has also disclosed the level and mix remuneration of the top five named key management personnel (who are not directors or CEO), in percentage terms in a single band of S\$250,000. The total remuneration paid to these top five named key management personnel were also disclosed. Taking in

consideration of the abovesaid, the Company is of the view that such disclosure provides a balance between detailed disclosure and confidentiality.

Other than a fixed salary component, Executive Directors and the top five key management personnel are given variable or performance related bonus which will take into account the profitability of the Company, contributions from the individuals and the scope of responsibilities assigned to those individuals. The total remuneration given to these individuals aims to attract, retain and motivate them by rewarding performance so as to promote alignment of these individuals' interests with the interests of the Company and to achieve sustainability and business growth.

Accordingly, the Company believes that such disclosures and reviews will provide shareholders with an adequate appreciation of the remuneration packages of the Directors and the top five key management personnel and is consistent with the intent of Principle 8 of the Code.

By Order of the Board

Liang Guo Zhan
Executive Chairman
13 April 2021