



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 2022

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 18 April 2023 in relation to the Company's annual report for the financial year ended 31 December 2022 ("FY2022") (the "Annual Report"). The Company's responses to the queries are as follows:

1. SGX-ST Query

It is noted that the Company did not disclose the CEO remuneration in accordance with provision 8.1 of the 2018 Code of Corporate Governance (the "Code"). In this regard, please explain how the Board has satisfied Principle 8 of the Code, which requires that the company be "transparent on its remuneration policies, level and mix of remuneration...".

Furthermore, we would like to remind the Company that pursuant to RegCo's news release on 11 January 2023, the Company will be required to disclose the exact remuneration paid to individual directors and the CEO for annual reports prepared for the financial years ending on or after 31 December 2024. The news release can be found here: <https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration>.

Company's Response

The Company has explained on pages 26 to 27 of its FY2022 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 FY2022 is RMB2,458,253.88."*

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 CEO was not given, on pages 26 and 27 of the Company's FY2022 Annual Report, the Company had disclosed, the level and mix remuneration, in percentage terms by a single band of S\$250,000, of the Directors (including the CEO) into various categories of compensation, namely, (i) base/fixed salary, (ii) variable or performance related income/bonuses, (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, the Directors (including the CEO) 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 in the FY2022 Annual Report provides sufficient transparency on its practices which are consistent with the intent of Principle 8 of the Code.

The Company further acknowledges that it will be required to disclose the exact remuneration paid to individual directors and the CEO for annual reports prepared for the financial years ending on or after 31 December 2024.

2. SGX-ST Query

It is noted that the Company disclosed that it has complied with Rule 1207(19) of the SGX-ST Listing Manual, in this regard, please confirm whether the Company has a formalised policy with regard to the dealing in securities under Rule 1207(19).

Company's Response

The Company does not have a formal securities trading policy *vis-a-vis* Rule 1207(19)(a) of the SGX-ST Listing Manual. However, the Company has made internal arrangements to: (i) provide guidance to its officers with regard to dealings by the Company and its officers in its securities, and (ii) provide updates on the blackout periods to directors, officers and employees.

The Company will formalise such an arrangement with a view to provide better visibility on this aspect and details on the formalised policy will be included in the Company's next annual report.

3. SGX-ST Query

Please also confirm whether the Issuer itself is prohibited from dealing in its shares during the period commencing 2 weeks before the announcement of the Company's quarterly results and 1 month before the announcement of the Company's half yearly or full year results.

Company's Response

The Company confirms that the Issuer itself is prohibited from dealing in its shares during the period commencing two (2) weeks before the announcement of the Company's results of the first three quarters of its financial year and one (1) month before the announcement of the Company's full year results.

4. SGX-ST Query

Please clarify whether the Directors and employees of the Company are prohibited from dealing in the Company's shares on short term considerations, given that it was only disclosed that they are 'advised' not to do so.

Company's Response

To clarify, the Company has advised the Directors and employees of the Company on the prohibition and consequences of dealing in the Company's shares on short term considerations,

and the Directors and employees of the Company are fully aware that they are prohibited from dealing in the Company's shares on short term considerations.

5. SGX-ST Query

It is noted that the Company has not made any disclosure with regard to a formal board diversity policy. In this regard, please explain how the Company has complied with Rule 710A, which requires that an Issuer maintain a board diversity policy, and describe such a policy in its annual report.

Company's Response

The Company has adopted a formal board diversity policy. The Company has explained its board composition on page 20 of its FY2022 Annual Report that:

“(ii) The current Board comprises five (5) members, with two (2) out of five (5) 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 20% of total Board membership. ... 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 Company is aware that a diverse Board consists of Directors of different ages, genders, lengths of service with varied skills and other relevant qualities considered necessary for the effective governance of the Board. The Board considers these qualities in determining the composition of the Board in order to ensure, to the extent possible, that the Board is adequately balanced.

Furthermore, the Nominating Committee (“NC”) reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new directors. All appointments to the Board are based on merit and the NC will consider diversity factors including the candidate's skills, knowledge, experience, age, gender, length of service and any other relevant factors.

Given the current size of the Board and nature of business, at present, the Board does not propose to set specific diversity targets to be met. However, the Board will strive to have one (1) member with relevant experience in the Group's businesses or markets; and one (1) member with professional qualification in accounting or other professional background or discipline as may be determined by the Board to be necessary and/or beneficial to the Group. The Board also strives to have at least one (1) female Board member, in cognizance that gender is an important aspect of diversity.

6. SGX-ST Query

It is noted that the Company has not disclosed any whistleblowing policy. In this regard, please explain how the Company has complied with Rule 1207(18A) and (18B), given that there is no whistleblowing policy disclosed, nor any disclosure on the Audit Committees role and responsibility of maintaining oversight and monitoring whistleblowing activities.

Company's Response

The Company has explained on page 30 of the FY2022 Annual Report that:

“ (xiii) The AC has reviewed arrangements by which the employees of the Company may, in confidence, raise concerns (such as possible improprieties in matters of financial reporting or other matters), with the object of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regard, the AC had since adopted a whistle-blowing policy with effect from 12 April 2022 (the “Whistle-Blowing Policy”). The AC oversees the administration of the Whistle-Blowing Policy. Periodic reports will be submitted to the AC stating the number and the complaints received, the results of the investigations, follow-up actions and unresolved complaints.”

The Company has adopted a whistle-blowing policy which was effective from 12 April 2022. The whistle-blowing policy contains clear provisions on: (i) the objective of the whistle-blowing policy, (ii) the procedures and protection for whistle-blowing (e.g. the manners of reporting and investigations, and the confidentiality of whistle-blowing, etc.), (iii) the awareness of whistle-blowing policy, and (iv) approval, review and update of the whistle-blowing policy.

The Audit Committee is responsible for oversight and monitoring of whistleblowing. The Audit Committee has designated an independent function to investigate whistleblowing reports made in good faith and ensures that the identity of the whistleblower is kept confidential, and the Audit Committee is committed to ensure protection of the whistleblower against detrimental or unfair treatment. The Audit Committee and Board noted that no incidents in relation to whistle-blowing matters have been raised during the year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

In addition, the Group wishes to emphasise that it has established a system of internal controls to address the financial, operational and compliance risks of the Group. The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's overall internal control framework, and for reviewing the effectiveness, adequacy, and integrity of those systems on an annual basis.

7. SGX-ST Query

We note that the Company disclosed advances to suppliers and/or prepayments amounting to RMB269.3m for FY22 as opposed to RMB94.8m in FY21.

Please disclose:

- (i) a breakdown of the advances to suppliers and/or prepayments amounting to RMB269.3m and identify the nature of each of the material advances to suppliers;
- (ii) when the advances to suppliers were made, and the terms of the advances to suppliers, where applicable;
- (iii) rationale for the increased provision of the advances to suppliers from FY21 to FY22;
- (iv) the identities of the suppliers and whether they are related parties of the Group;
- (v) how long have these suppliers been supplying goods to the Company;
- (vi) the products they have been supplying to the Company; and
- (vii) whether the Group has made any impairment of the advance payments to these suppliers for this financial period and whether the Group is still purchasing from them. What is the basis for the impairment?

Company's Response

Detailed breakdown of the advances to suppliers as at 31 December 2022 is as follows:

Suppliers	Nature	Date of payment	Payment term	RMB'000	Delivery date
Supplier A	LPG supplier	December 2022	80% paid in advance, 20% paid on delivery	171,533	January 2023
Supplier B	LPG supplier	December 2022	80% paid in advance, 20% paid on delivery	88,372	January 2023
Supplier C	LPG supplier	December 2022	100% paid in advance	1,504	January 2023
Other supplier	Contractor		20%-100% paid in advance	7,890	January 2023
				269,300	

The Group purchases its raw materials from overseas suppliers and advance deposits are required to secure the supply of raw materials. The Group anticipates increase of LPG demand due to Chinese New Year and LPG price increase which resulted in substantial increase in advances to suppliers.

None of those suppliers are related parties of the Company and the Company has duly disclosed all related party transactions in the FY2022 Annual Report.

The abovementioned LPG suppliers are well-established companies which have been the Company's reliable trading partners for over three (3) years.

No impairment needs to be made since all of the goods have been delivered as scheduled.

8. SGX-ST Query

We note that the Company had RMB393.9m current Bank Borrowings as at FY22.

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) If the loans obtained were approved by the Board including the Audit Committee; and
- (iv) the use of proceeds from the loan.

Company's Response

The Company has disclosed detailed information on the Company's bank borrowings on page 77 of the FY2022 Annual Report. The additional information are as follows:

Loan	RMB'000	Interest rate	Maturity	Lender	Identity
Trust receipts	163,951	2.09%-4.93%	2023/3/28	Bank A	PRC state-owned bank
Bank loan C	80,000	4.15%	2023/2/7	Bank A	PRC state-owned bank
Bank loan D	84,750	4.15%	2023/2/21	Bank A	PRC state-owned bank

Bank loan E	65,250	4.15%	2023/6/24	Bank A	PRC state-owned bank
Total	393,951				

The Company confirms that all bank borrowings of the Group have been duly reviewed by the Board and the Audit Committee and each of the bank borrowings by the Company or its subsidiaries has been obtained with the approval of their respective board of directors. In addition, the Group is currently in the midst of reviewing its processes relating to the delegation of authority within the Group and further details on the same will be included in the Company's next annual report.

Trust receipts were used for the Company's purchase of raw materials, and bank loans were used for the working capital of the Group.

9. SGX-ST Query

The Company also recorded a net cash outflow from operating activities of (RMB77.2m) and a net profit of RMB48.5m for FY22. Please explain why the Company is unable to generate net cash inflow from its operating activities, despite the Company's net profit position.

Company's Response

The cash flow used in operating activities was mainly due to advances to suppliers in order to secure the Company's purchase of raw materials as mentioned in the Company's response to question 7 above and payment of trade payables.

By Order of the Board

Liang Guo Zhan
Executive Chairman
20 April 2023