



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 2023

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 22 April 2024 in relation to the Company's annual report for the financial year ended 31 December 2023 ("FY2023") (the "Annual Report"). The Company's responses to the queries are as follows:

1. SGX-ST Query

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also 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 the relevant experience of accounting firm and the engagement team.

Company's Response

The Company has explained in page 30 of its FY2023 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 the internal function is independent, effective and adequately resourced. The internal function is led by Mr Zhao Yunqiang and Mr Lin Zhuoxu, who have 13 years and 7

years of internal audit experience respectively. Members of the internal audit team also have relevant academic qualifications, professional certifications and internal audit experience.

2. SGX-ST Query

Listing Rule 710A(2) requires the Company to describe in its annual report its board diversity policy. It is further noted that the Company has disclosed on page 20 of the AR2023 that "The NC is of the view that the current Board and Board Committees' composition reflects the broad range of experience, skills, knowledge and other diversity such as gender and age necessary to avoid groupthink and to foster constructive debate. The NC and the Board are both of the view that the current Board and Board Committees comprise persons whose diverse skills, experience and attributes provides for an effective Board."

In this regard, please explain how the Company has complied with Listing Rule 710A(2), which requires disclosure of the following:

- 1) The targets to achieve diversity on its board;
- 2) accompanying plans and timelines for achieving the targets;
- 3) progress towards achieving the targets within the timelines; and
- 4) description of how the combination of skills, talents, experience and diversity of the directors serves the needs and plans of the Company.

Company's Response

The Company has adopted a formal board diversity policy. The Company has explained its board composition on page 19 of its FY2023 Annual Report that:

"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. The NC has proposed to appoint another female Director at the forthcoming Annual General Meeting 2024.

3. 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 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations provided in the AR2023 on how it is consistent with the intent of Principle 8 of the Code. 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 25 to 26 of its FY2023 Annual Report that:

"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.

In considering the disclosure of remuneration of the four (4) 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 four (4) key management personnel of the Company (who are not Directors or the CEO) for FY2023 is RMB 879,168.00."

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 page 26 of the Company's FY2023 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 four 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 four 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 four 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 four key management personnel and is 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.

By Order of the Board

Liang Guo Zhan
Executive Chairman
23 April 2024