Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Ouhua Energy Holdings Limited

Stock code: AJ2

Meeting details:
Date: 30 April 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. For the financial year ended 31 December 2019, the group increased the sale volume of liquefied petroleum gas ("LPG") by 34.7% but achieved a lower average selling price of LPG by 13.6%.

The financial highlights are shown on page 9 of the annual report and an extract is reproduced below.

KEY FINANCIAL RATIO

	FY2017	FY2018	FY2019
Earnings per Share (RMB cents)	9.6	5.4	**3.8**
Gross Margin (%)	4.3	3.2	**2.9**
Net Margin (%)	1.4	0.8	**0.5**
Gearing Ratio (times)	0.8	0.8	**0.5**
NAV (RMB cents)	42.6	47.5	**51.4**

(Source: company annual report)

While the group registered higher revenue of RMB3.16 billion, net profit attributable to equity holders of the company for FY2019 was just RMB 14.72 million. This translates into a net margin of 0.5%.

Net margins have fallen from 2.71% in FY2015 to 1.88%, to 1.39%, to 0.8% and to 0.5% in FY2019.

(i) **How much pricing power does the group have?**

(ii) Even though the group is operating at a higher utilisation, net margin has continued to slip since 2015. **What are management's pro-active plans to improve the group's profitability?**

Q2. The company has a current annual LPG production capacity of 900,000 tonnes. In FY2019, the sales volume reached 934,822 tonnes (page 9).

(i) **Can management help shareholders understand the actual "production" capacity of the group's facilities and how it was able to produce at 104% of the capacity?**

(ii) **Would the board carry out a strategic review of the group's business model, including its profitability and cost of capital, before it embarks on any major capital expenditure?**

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Q3. In the Corporate governance report, the company disclosed that the remuneration policy comprises a fixed component and a variable component, the latter being linked to the performance of the company and the individual (page 24)

The breakdown showing the level and mix of remuneration is shown on page 25 and reproduced below:

A breakdown showing the level and mix of the remuneration of each individual Director and key management personnel in FY2019 is as follows:

Remuneration Band	Base/fixed salary	Variable or performance related income/bonuses	Director's fees	Other benefits
Below S$250,000				
Directors				
Mr Liang Guo Zhan	65%	35%	-	-
Mr Ye Tian Shun	65%	35%	-	-
Mr Xiong Wei*	-	-	100%	-
Mr Tham Hock Chee	-	-	100%	
Mr Gerald Yeo @ Yeo Ah Khe	-	-	100%	-
Key Management Personnel				
Mr Fang Shilai	65%	35%	-	-
Mr Xie Jing Yuan*	65%	35%	-	-
Mr Huang Shenle	65%	35%	-	-
Ms Lin Jinjin	65%	35%	-	-
Mr Lai Shudong	65%	35%		

*Mr Xie Jing Yuan had then been appointed, by Board approval, CFO on 13 May 2019. Mr Xiong Wei resigned as Independent Director on 26 June 2019.

(Source: company annual report)

As can be seen from the table above, the two executive directors and all the key management personnel ("KMP") received a bonus of 35% including the CFO who was appointed in May 2019. For FY2019, the group's net profit declined by 28.6% to RMB14.72 million. In fact, bonuses accounted for 35% of the remuneration packages of all the directors and KMP in each of FY2015, FY2016 and FY2017.

In FY2018, the bonus component varied from 5% to 9% for the EDs and KMP. This is likely due to the increased basic salary received by the KMPs (and probably the EDs as well) as shown below.

The amount received by KMPs were:

- 2015: RMB 615,622 (4 key executives)
- 2016: RMB 667,022 (4 key executives)
- 2017: RMB 594,431 (5 key executives)
- 2018: RMB 1,120,611 (5 key executives)
- 2019: RMB 1,188,636 (5 key executives)

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(i) **Can the remuneration committee ("RC") help shareholders understand its role in setting and monitoring the appropriate key performance indicators to assess the progress made by the group and the individual contribution by the directors and key executives?**

(ii) **Based on the remuneration practices over the past 5 years (shown above), can the RC elaborate further on how the remuneration practices are aligned with the long-term interest and risk policies of the Company and that the remuneration practices motivate the directors and key management personnel appropriately?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)