

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE “SGX-ST”) ON THE COMPANY’S ANNUAL REPORT 2021

The Board of Directors of SHS Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the following queries raised by the SGX-ST on 26 April 2022 in relation to the Company’s annual report for the financial year ended 31 December 2021 (the “**FY2021 Annual Report**”):-

SGX-ST Query (a):

Listing Rule 1207(6) states that the Annual Report must include the aggregate amount of fees paid to auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, to make an appropriate negative statement. Please clarify if there were any non-audit fees paid, and make an appropriate negative statement where necessary. In the case where there were non-audit fees paid, please provide a breakdown by audit and non-audit services as required under Listing Rule 1207(6)a.

Company’s Response to SGX-ST Query (a):

As disclosed on page 54 of the FY2021 Annual Report, the aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 in the Financial Statements of the FY2021 Annual Report.

Reference is made to page 103 in respect of Note 7 in the Financial Statements where audit fees paid/payable to auditors of the Company and Subsidiaries were S\$221,000 and S\$33,000 for the financial year ended 31 December 2021 respectively.

No non-audit fees have been paid to the auditors for the financial year ended 31 December 2021.

SGX-ST Query (b):

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in 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 has not complied with Provisions 8.1(a) of the Code with regard to the disclosure of remuneration, and there were no explanations provided in your 2021 annual report on how this is consistent with the intent of Principle 8 of the Code.

Please clarify on how the practices the Company adopted were 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 to SGX-ST Query (b):

Provision 8.1 of the Code states as follows: “The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts, and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.”

The Company would like to clarify that it has disclosed on page 51 of the FY2021 Annual Report, the remuneration of all of the directors and top 5 key management personnel in the bands of S\$250,000 and the percentage breakdown of the components of the remuneration. In relation to the remuneration of the Executive Directors and the top 5 key management personnel, the Company has disclosed on page 51 of the FY2021 Annual Report the reasons why the Board had determined not to disclose the quantum of the remuneration of the Executive Directors and the top 5 key management personnel. The Company would like to elaborate on the reasons as follows:

- (a) Disclosure of remuneration in detail would not be in the interest of the Company given the sensitive nature of the remuneration and the intense competition in attracting and retaining employees especially in light of the talent crunch faced by many companies currently. It had not disclosed the remuneration of the key executives including the Executive Directors so as to minimise potential staff movement and undue disruption to its management team which would be prejudicial to the interests of Shareholders; and
- (b) Non-disclosures maintain the confidentiality of remuneration, prevent poaching and also prevent internal comparison and maintain morale.

The FY2021 Annual Report had also disclosed in detail on pages 49 and 50 the components of the Executive Directors' and the key management personnel's remuneration, comprising the fixed base salary and a variable component in the form of variable bonus that is linked to the Company's and individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote the long-term success of the Group.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for the financial year ended 31 December 2021 is disclosed under Note 36 of the Notes to Financial Statements.

Remuneration paid to Non-Executive Directors comprised solely directors' fees was disclosed on page 50 of the FY2021 Annual Report in Band below S\$100,000 with each of the Non-Executive Directors specifically mentioned and was approved by the shareholders in the AGM held on 29 April 2021. The directors' fees paid to individual Non-Executive Directors ranged between S\$70,000 and S\$90,000 for FY2021.

Taking into account the reasons why disclosure of the exact quantum of the remuneration of the Executive Directors and top key 5 management personnel would be prejudicial to the interests of shareholders, the Board has determined that there is sufficient 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 consistent with the intent of Principle 8.

SGX-ST Query (c):

Listing Rule 1207(18B)(c) states that the Annual Report must include an explanation and disclosure on the issuer's commitment to ensure protection of the whistleblower against detrimental or unfair treatment. Please clarify whether and how the Company has complied with Listing Rule 1207(18B)(c).

Company's Response to SGX-ST Query (c):

The Company's whistle-blowing policy contains clear provisions on protection for whistleblowers. Under the Company's whistle-blowing policy, the Company will take all necessary measures to ensure that the whistle-blower's identity will be kept confidential unless required by the court or other regulatory authorities to make a disclosure of the identity. The Company does not tolerate victimisation of the whistle-blower or any employee who may be involved as witnesses to any investigation or allow any whistle-blower or witness to be subject to any reprisal. Disciplinary action will be taken against

employees who victimise or take any form of reprisal against the whistle-blower or witnesses and in appropriate cases, the relevant employees may be dismissed. The Company will take all necessary steps to ensure that the employment of the whistle-blower will be protected even if the report proves to be unfounded, provided the report was made in good faith.

Based on the above, the Company has duly complied with Listing Rule 1207(18B)(c).

By Order of the Board

Ng Han Kok, Henry
Executive Director and Group CEO
28 April 2022