

SHS HOLDINGS LTD.
(Company Registration Number 197502208Z)
(Incorporated in the Republic of Singapore)

RESPONSES TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

The board of directors (the “**Board**”) of SHS Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 December 2024 (“**Annual Report 2024**”). The questions raised by SIAS and the Company’s corresponding responses are set out below:

SIAS Query 1:

Q1. Revenue for the financial year ended 31 December 2024 rose marginally from \$82.2 million to \$83.0 million. However, gross profit declined by 8.5% from \$12.9 million to \$11.8 million, mainly due to weaker profitability in the Engineering & construction (E&C) segment.

REVENUE BY BUSINESS SEGMENTS (Continuing Operations) (\$S'000)	FY2024	FY2023	FY2022	FY2021
Corrosion Prevention	14,539	16,679	16,368	15,952
Engineering & Construction	35,974	33,134	60,348	28,966
Solar Energy	23,095	18,865	10,506	10,281
Others	9,369	13,526	–	–

SEGMENTAL RESULTS				SEGMENTAL RESULTS			
\$S'000	FY24	FY23	Change (%)	\$S'000	FY24	FY23	Change (%)
Corrosion Prevention (“CP”)				Corrosion Prevention (“CP”)			
Revenue	14,539	16,680	(12.8)	Revenue	14,539	16,680	(12.8)
Gross Profit	2,627	2,152	22.1	Gross Profit	2,627	2,152	22.1
Gross Profit Margin	18.1%	12.9%	5.2pp	Gross Profit Margin	18.1%	12.9%	5.2pp
Engineering & Construction (“EC”)				Engineering & Construction (“EC”)			
Revenue	35,974	33,134	8.6	Revenue	35,974	33,134	8.6
Gross Profit	5,121	7,719	(33.7)	Gross Profit	5,121	7,719	(33.7)
Gross Profit Margin	14.2%	23.3%	(9.1)pp	Gross Profit Margin	14.2%	23.3%	(9.1)pp
Solar Energy (“SE”)				Solar Energy (“SE”)			
Revenue	23,095	18,864	22.4	Revenue	23,095	18,864	22.4
Gross Profit	3,916	2,902	35.0	Gross Profit	3,916	2,902	35.0
Gross Profit Margin	17.0%	23.3%	(6.3)pp	Gross Profit Margin	17.0%	23.3%	(6.3)pp
T Trading of Commodities (“TC”)				T Trading of Commodities (“TC”)			
Revenue	9,369	13,526	(30.7)	Revenue	9,369	13,526	(30.7)
Gross Profit	174	161	8.1	Gross Profit	174	161	8.1
Gross Profit Margin	1.9	1.2	0.7pp	Gross Profit Margin	1.9	1.2	0.7pp

(Adapted from company annual report; emphasis added)

(i) Corrosion prevention (CP): It was disclosed that revenue in the CP segment declined due to a more selective approach to order acceptance, driven by inflationary pressures and price volatility in site and blasting jobs.

- **Is this recalibrated level of activity and revenue likely to represent a new baseline for the CP segment?**

Company's response:

Management is deliberately opting for fewer, higher-margin projects rather than chasing volume under volatile pricing conditions for a conscious "reset" in how the segment operates.

- **What is the growth potential in this segment?**

Company's response:

Management felt that there will still be growth potential for the next 3 to 5 years for sectors like oil & gas, marine, and infrastructure where there are still demand for corrosion protection.

(ii) Engineering & construction (E&C): Despite revenue increasing by 8.6%, gross profit in the E&C segment fell significantly to \$5.12 million.

- **What were the main factors contributing to the decrease in profitability?**

Company's response:

Rising Input Costs such as inflationary pressures on increased material and labor costs are the main contributors to the decrease in profitability, that squeezed margins.

- **How is management working to maintain or increase profit margin?**

Company's response:

Management is constantly looking for initiatives to enhance procurement strategies and improve subcontractor negotiations; as well as tighter project selection discipline over bid evaluation and risk management frameworks to prioritize higher-margin contracts.

- **What are the strategic opportunities in the structural steel and facade (SSF)?**

Company's response:

We are expecting strong pipeline in commercial high-rise and infrastructure developments (e.g., transport hubs, data centres) for Infrastructure Projects.

- **Prefabricated Prefinished Volumetric Construction (PPVC) sub-segments over the next 18–24 months?**

Company's response:

We are unable to comment this industry as this is not our sub-segment.

- **How competitively positioned is the group to capture these opportunities?**

Company's response:

We have proven strong track record on execution capabilities in complex SSF projects enhancing client confidence and brand credibility.

- (iii) Solar energy (SE):** The CEO's operational and financial review stated that SE revenue increased by 22.4%, with gross profit rising more than proportionately by 34.9%. Yet, management also reported a 6.3% decline in gross margin to 17.0%. **Could management reconcile this contradiction, and explain how such an error, if confirmed, was not flagged during the internal review and board approval process.**

Company's response:

The management would want to sincerely apologize for that reporting error and we acknowledge the confusion caused by the apparent contradiction in our reported figures. Upon further review, we believe this was due to a typographical or transpositional error in the gross margin figure. The gross profit growth was indeed 34.9%, in line with the 22.4% increase in revenue. We will review our internal reporting and review process to ensure such discrepancies are flagged earlier and rectified before board or public release.

SIAS Query 2:

Q2. As announced on 4 September 2024, the group is proposing to acquire Guangxi Tidal Precision Technology Co., Ltd and Nanning Tidal Aluminium Co., Ltd to diversify into precision aluminium manufacturing and recycling for the automotive electric vehicle (EV) industry. The target companies' main customers operate in the EV battery market, which is expected to grow significantly in line with China's expanding EV market.

The aggregate purchase consideration is RMB205.26 million, being the RMB equivalent of \$39.0 million. This represents 67% of the company's market capitalisation based on Rule 1006 of the SGX Listing Manual.

- i. How was this acquisition sourced, and can the board help shareholders better understand if there is any synergy with the group's existing businesses?**

Company's response:

The Proposed Acquisition was initially introduced to the Company by the Executive Chairman, Mr Teng Choon Kiat. Mr Teng was not and will not be paid any introducer or referral fee by the Company or any of the parties to the Proposed Acquisition in connection with the aforesaid introduction or the Proposed Acquisition. Mr Teng also does not have any direct or indirect interest in the Proposed Acquisition or the Target Companies, other than through his shareholding in the Company, and as such, is not considered an "interested person" under Chapter 9 of the Listing Manual.

However, as Mr Teng and Mr Jiang Haiyong (who was a substantial shareholder of the Company and an "interested person" under Chapter 9 of the Listing Manual as at the date the SPA was signed) had a previous business relationship arising from their shareholding interests in Tidal New Energy Investment Pte. Ltd., Mr Teng has voluntarily abstained from participating in all of the Board's discussions and decision-making process in relation to the Proposed Acquisition.

The business of the Target Companies, i.e. precision aluminium manufacturing and aluminium recycling, is a different business from the Group's three (3) existing core business segments of (a) engineering and construction that comprises structural steel and façade and modular construction, (b) corrosion prevention and (c) energy-related businesses, and is therefore not expected by the Company to have any immediate synergy with the Group's existing businesses in terms of business operations and technical knowledge sharing.

However, the Company sees the Proposed Acquisition as an opportunity to diversify into the New Business and generate an additional revenue stream that will serve to enhance Shareholders' value.

ii. What are the key risks identified by the board in relation to the proposed acquisition?

Company's response:

The risks which may be material in relation to the Proposed Acquisition are set out under "Risks relating to the New Business and the operations of the Target Companies" in Section 3.7 of the Circular. Shareholders should take note that the aforesaid risk factors, and the other risk factors set out under "Risks relating to The Proposed Business Diversification" in Section 3.7 of the Circular, do not include risks that are unknown to the Company as at the date of the Circular but could occur in the future, and risks which the Company reasonably believes to be immaterial as at the date of the Circular but could turn material in the future, as new risk factors may emerge from time to time and it is not possible for the Company to predict all risk factors and estimate the extent to which they might affect or have an impact on the Proposed Business Diversification, the Proposed Acquisition, the New Business and the business operations of the Target Companies based on present circumstances. Should any of such risks occur or turn material, they could have a material and adverse impact on the Enlarged Group.

iii. Has there been any delay in completing the transaction? How are the target companies currently impacted by macro risks such as global trade tensions, including tariffs?

Company's response:

Since the Parties' entry into the SPA on 4 September 2024, the Parties had agreed to extend the Long-Stop Date for completion of the Proposed Acquisition on two (2) occasions.

On 30 December 2024, the Parties agreed to extend the Long-Stop Date from 31 December 2024 to 30 April 2025, so as to cater for the completion of the Purchaser's legal as well as financial due diligence on the Target Companies. On 25 April 2025, following the SGX's clearance of the draft Circular relating to the Proposed Acquisition and the Proposed Business Diversification, the Parties agreed to further extend the Long-Stop Date from 30 April 2025 to 30 June 2025, so as to provide the Parties with adequate time to complete the Proposed Acquisition in accordance with the terms of the SPA.

Barring any unforeseen circumstances, and subject to Shareholders' approval for the Proposed Acquisition, the Company expects the Proposed Acquisition to be completed by 30 June 2025 without any further delay.

The Target Companies are in the business of precision aluminium manufacturing and aluminium recycling. More specifically, Guangxi TPT produces cast rolled aluminium coils for sale to component manufacturers who use the cast rolled aluminium coils to produce high battery-grade aluminium foils to be supplied to EV battery manufacturers in the PRC. The end customers of Nanning Tidal Aluminium are manufacturers of large electrical goods for domestic use and other automotive component manufacturers in the PRC. At present, the Target Companies do not sell their products directly to customers or markets outside of the PRC or in foreign currencies, and are therefore not directly impacted by any import and/or export duties or tariffs or other international trade policies. However, the Target Companies may be affected by macro trends and developments indirectly, which are in turn affected by general economic conditions, market sentiment and demand, government policies and consumer confidence in the global economy as well as relevant domestic markets.

iv. How is the acquisition structured to safeguard shareholder interests, given that the target companies only commenced revenue-generating trial production in 1H2024? Specifically, are there earn-outs, profit guarantees, deferred payments, or clawback clauses?

Company's response:

To safeguard the Group's and the Shareholders' interests in the Proposed Acquisition, the following terms are included in the SPA:

- (a) provisions of the Adjustments to the Consideration set out in Sections 2.3(b)(viii) to 2.3(b)(xiv) of the Circular;
- (b) the Purchaser's and/or the SHS WFOE's entitlement to unwind the transactions contemplated in the SPA pursuant to the provisions set out under Section 2.3(b)(x), Section 2.3(b)(xii) or Section 2.3(b)(xiv) of the Circular;
- (c) the specific undertakings given by the Warrantors set out under Section 2.3(d) of the Circular;
- (d) the specific indemnities given by the Warrantors set out under Section 2.3(g) of the Circular;
- (e) the Purchaser's and/or the SHS WFOE's entitlement to set off against the Balance Consideration Payment and any corresponding interest payable all claims, losses, liabilities, costs and expenses that the Purchaser, the SHS WFOE and/or their respective Representatives or a Target Company may incur, or be liable for, in connection with or arising from any breach by the Warrantors of the SPA (including but not limited to breach of warranties, undertakings, covenants and/or terms) and/or any of the events set out in Section 2.3(g) of the Circular; and
- (f) the deferred payment of the Balance Consideration Payment of S\$35 million within five (5) years from Completion, which is intended to provide a significant buffer for any set off, if such set off is required.

Save as described above, the SPA does not contain or provide for any earn-outs, profit guarantees, deferred payments or clawback clauses

SIAS Query 3:

Q3. On 31 October 2023, the CEO disposed of 1.5 million shares for \$208,500 via an off-market transaction¹. On 7 November 2023, the CEO sold an additional 3.53 million shares for \$441,250 via another off-market transaction².

Separately, on 8 August 2023, the executive chairman, Mr Teng Choon Kiat, entered into a conditional sale and purchase agreement to sell his entire stake of 160,967,600 shares to Tidal New Energy Investment Pte. Ltd.³. However, on 20 January 2025, the company announced that due to the default in the sale & purchase agreement, the shares were "*transferred back to Teng Choon Kiat at zero value.*"⁴

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 28 April 2025)

	Direct Interest	%	Deemed Interest	%
Tidal New Energy Investment Pte. Ltd.	–	–	160,967,600 ⁽¹⁾	26.37
Teng Choon Kiat	–	–	160,967,600 ⁽²⁾	26.37
Ng Han Kok	21,537,700	3.53	94,146,953 ⁽³⁾	15.42
Stone Robert Alexander	31,801,000	5.21	19,720,000 ⁽⁴⁾	3.23
Lim Peng Chuan Terence	–	–	31,030,700 ⁽⁵⁾	5.08
Khoo Thomas Clive	33,709,000	5.52	–	–

Notes:

(1) Tidal New Energy Investment Pte. Ltd. ("Tidal") is deemed interested in the 160,967,600 shares registered under CGS International Securities Singapore Pte. Ltd. (formerly known as CGS-CIMB Securities (Singapore) Pte. Ltd.) and held on behalf of Tidal.

(2) Teng Choon Kiat holds not less than 20% of the voting rights of Tidal. Accordingly, Teng Choon Kiat is deemed to be interested in the 160,967,600 shares held by Tidal in the Company.

(Source: company annual report)

- (i) Can the director/company clarify if shareholding structure above (as shown on page 151 of the annual report) is accurate given that the announcement stated that the shares have been "*transferred back to Teng Choon Kiat*"?

Company's response:

Mr Teng originally held 26.37% of SHS Holdings Ltd. This was transferred to Tidal New Energy Investment Pte Ltd on 8 August 2023 where Mr Teng held 40%. On 21 January 2025, Mr Teng took 100% control of Tidal New Energy Investment Pte Ltd and accordingly, taking back the effective interest of 26.37% in SHS Holdings Ltd.

- (ii) **Does Tidal New Energy Investment Pte. Ltd. currently hold any shares in the company?**

Company's response:

As mentioned in the reply to 3(i) above, Tidal New Energy Investment is holding onto the 26.37% SHS Holding Ltd which Mr Teng Choon Kiat held previously.

- **How does this affect the company's proposed acquisition given that in the 4 September 2024 announcement, Jiang Haiyong was said to hold 60% shareholding interest in Tidal New Energy Investment Pte. Ltd. and 95% shareholding interest in Synertech?**

Company's response:

Jiang Haiyong has transferred his 60% shareholding interest in Tidal New Energy Investment Pte Ltd to Mr Teng Choon Kiat, making Mr Teng holds 100% of Tidal New Energy Investment Pte Ltd & has also transferred his 95% shareholding interest in Synertech to his Ex-wife. As such, notwithstanding that Mr Jiang was an "interested person" under Chapter 9 of the Listing Manual as at the date the SPA was signed, he is no longer related to the transaction. Mr Teng will abstain from participating in the proposed acquisition, thus will not be involved in the company's proposed acquisition.

- (iii) **What role did the executive chairman play in the proposed acquisition, and is he considered an interested person?**

Company's response:

Refer to the response to Q2(i).

- **Are there other related corporate actions involving Tidal New Energy Investments Pte. Ltd. and Synertech Group Co., Pte. Ltd.? If so, what safeguards will the independent directors implement to protect the company and minority shareholders' interests?**

Company's response:

There are no such other related corporate actions.

Separately, Mr Teng Choon Kiat will be retiring at the forthcoming annual general meeting and will be seeking his re-appointment.

- (iv) **Would the director affirm his long-term commitment to the group given that he entered into a sale and purchase agreement to divest his entire shareholding?**

Company's response:

As mentioned in (ii)(a) above, Mr Teng shareholdings with the company remains unchanged (ie at 26.37%).

- **Would the attempted divestment, and the sale of shares by the CEO, signal a lack of alignment with or confidence in the group's long-term prospects?**

Company's response:

The sales of shares by the CEO is a personal reorganisation of his investments, thus has nothing to do with the confidence in the group's long-term prospects.

By Order of the Board
SHS Holdings Ltd.

Ng Han Kok, Henry
Group Chief Executive Officer
29 May 2025

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https://links.sgx.com/FileOpen/_eFORM1V2_NHK_finalised.ashx?App=Announcement&FileID=776666

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https://links.sgx.com/FileOpen/_eFORM1V2_NHK_finalised.ashx?App=Announcement&FileID=777394

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