

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

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
(THE “SGX-ST”) ON THE COMPANY’S ANNUAL REPORT 2020**

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 23 April 2021 in relation to the Company’s annual report for the financial year ended 31 December 2020 (the “**FY2020 Annual Report**”):-

SGX-ST Query (a):

Listing Rule 715 requires the issuer to, inter alia: (a) engage the same auditing firm based in Singapore to audit its accounts, and its Singapore incorporated subsidiaries and significant associated companies; and (b) engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies. Please confirm that the Company has complied with Listing Rule 715.

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

As disclosed on page 53 of the FY2020 Annual Report, the Company has complied with Rules 715 of the Listing Rules in engaging Moore Stephens LLP, who is registered with the Accounting and Corporate Regulatory Authority, as the auditors of the Company and its Singapore incorporated subsidiaries. The Company also engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and also insignificant associated companies. The Company does not have any significant associated companies in Singapore.

SGX-ST Query (b):

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 2.2 of the Code as independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

SGX-ST Query (c):

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 2.3 of the Code as non-executive directors do not make up a majority of your Board, and there were no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response to SGX-ST Queries (b) and (c):

The Company is aware of Provision 2.2 of the Code that independent directors are to make up majority of the Board where the Chairman is not independent as well as Provision 2.3 of the Code that the non-executive directors are to make up a majority of the Board where the Chairman is not independent.

As disclosed on page 44 of the Annual Report, while it may be a best practice for the Board to be chaired by an independent director to ensure effective oversight of both management and the interests of the Company, there are many circumstances which merits the Board Chairman's leadership. Therefore, to demonstrate that the Board is capable of maintaining appropriate level of checks and balances, in instances where a perceived conflict may arise, such as recommendation of dividend, the Board Chairman would recuse himself given that he has an interest via his shareholdings in the Company. In circumstances whereby the Board Chairman has to recuse himself from board decision, the Lead Independent Director, Mr Lee Gee Aik, would step in and assume the board chairmanship role. The Independent Directors are in a stronger position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision. Under such scenario, the Independent Directors would make up the majority of the votes on the Board.

The Executive Directors possesses better industry knowledge to take the Group forward while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to contribute their valuable experiences and provide independent judgement during Board deliberations. The Independent Directors have always take on active role in questioning, assessing and defending decisions on strategy and policy that are presented to them. The Independent Directors have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. Hence, the Board deems that there are appropriate checks and balances within the Board to ensure accountability and protection against abuse of power by Management and controlling shareholder.

The Board also recognised that it is equally important that the strength of the current board is not compromised or disrupted just for the sake of compliance with the Code. The incumbent Directors bring with them a wide spectrum of industry knowledge and skills, experience in accounting, finance, legal and regulatory and business strategies, knowledge of the Group and objective perspective to effectively lead and direct the Group. The Board has also considered the current size, scope, nature of operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, especially in the current economic climate where cost considerations and agility of the Board in decision-making are critical to the Company.

Each of the three Board Committees is also chaired by Independent Director with the following professional background and expertise:

Board Committees	Board Committees Chairman	Other NEID Roles	Professional Background & Expertise
Audit Committee	Lee Gee Aik	<ul style="list-style-type: none">• Lead ID• NC member• RC member	Finance and Audit
Nominating Committee	Lee Kuo Chuen, David	<ul style="list-style-type: none">• AC member• RC member	Finance and Economics with expertise in Mangement & Development, Manufacturing and Investment Management.
Remuneration Committee	Oh Eng Bin, Kenneth	<ul style="list-style-type: none">• AC member• NC member	Legal

In view of the foregoing, the Board is of the view that the Board's composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

Nevertheless, the Board has been actively on the search for suitable candidate to fill the role of an independent director to comply with Provision 2.2 of the Code and will continue to use its best endeavour to identify and appoint a suitable candidate.

SGX-ST Query (d):

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(a) of the Code with regards to the disclosure of exact remuneration of the directors and CEO, and there were no explanations provided for in your FY2020 annual report 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.

SGX-ST Query (e):

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(b) of the Code with regards to the disclosure of aggregate remuneration of the key management personnel, and there were no explanations provided for in your FY2020 annual report on the deviation and how it is consistent with the intent of Principle 8 of the Code. Please explain the reason for the deviation and 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 to SGX-ST Queries (d) and (e):

The Company has disclosed the remuneration of each Director and top 5 key management personnel in bands of S\$250,000 and split the remuneration into each bucket such as salary, bonus and other allowance by percentage on page 50 of the annual report. The Board is of the opinion that a full disclosure of the specific remuneration for Executive Directors and Key Management Personnel is not in the best interest of the Company or its shareholders. Due to the competitive business environment where the Group operates in and the confidential nature of remuneration matters, a full disclosure of the specific remuneration for Executive Directors and Key Management Personnel may have a negative impact on the Company in attracting and retaining talent at the Board and top management level on a long term basis. Non-disclosures maintain confidentiality of remuneration, prevent poaching and also prevent internal comparison and maintain morale. The Board is of the view that the current format of disclosure is sufficient indication of the remuneration packages of the Executive Directors and Key Management Personnel. It is imperative for the Company to ensure the stability and continuity of its business led by the top management.

The Company's remuneration structure for its Executive Director and Key Management Personnel comprises both fixed and variable components. The variable component is linked to the Group or Company's performance and the individual personnel's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

Remuneration paid to Non-Executive Directors comprised solely director's fees were approved by the shareholders in the AGM held on 26 June 2020.

A separate disclosure for annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company can be found in Note 37 of financial statement.

SGX-ST Query (f):

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 8.2 of the Code with regards to the disclosure of whether there are any employees who are substantial shareholders of the Company or are immediate family members of a substantial shareholder of the company, and there were no explanations provided for in your FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code. Please explain the reason for the deviation and 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 to SGX-ST Query (f):

The Company would like to clarify that it has disclosed on page 51 of the FY2020 Annual Report that there are no employees whose remuneration exceeds S\$100,000 per annum who are immediate family member.

Nevertheless, please refer to the table below for the details of the 3 employees who have family relationship with the Director of Company. These employees' remuneration do not exceed S\$100,000 per annum.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held
Lim Peng Chuan	51	Son of Thomas Lim Siok Kwee	General Manager (CP Segment) – Assisting CEO in overall CP businesses (since September 2020)
Goh Sia Teck	61	Nephew of Thomas Lim Siok Kwee	Manager (Operations) – Assisting CEO in marine projects (since May 2006)
Lim Peng Cheng	52	Nephew of Thomas Lim Siok Kwee	Production Manager – Assisting CEO in plant operation (since April 2010)

By Order of the Board

Ng Han Kok, Henry

Executive Director and Group CEO

26 April 2021