

**SHS HOLDINGS LTD.**  
(Company Registration No.: 197502208Z)  
(Incorporated in the Republic of Singapore)

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**ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2023  
RESPONSES TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION  
(SINGAPORE)**

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The Board of Directors (the “**Board**”) of SHS Holdings Ltd. (the “**Company**”) would like to thank Securities Investors Association (Singapore) (“**SIAS**”) for submitting questions in relation the Company and its subsidiaries (collectively the “**Group**”) ahead of the Company’s Annual General Meeting to be held on 27 April 2023.

The Board’s responses to these questions are set out in Appendix 1 and also published on the Company’s website at <http://www.shsholdings.com.sg>. The Board’s responses to the questions from SIAS can also be found on SIAS’ website at <https://sias.org.sg/qa-on-annual-reports/>.

BY ORDER OF THE BOARD  
SHS HOLDINGS LTD.

Ng Han Kok, Henry  
Director & Chief Executive Officer  
24 April 2023

## APPENDIX 1

**Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:**

- (i) **Engineering & construction (E&C): What is the current status of the order book for the E&C segment? What measures are being taken by the group to secure high-value, high-margin projects? Has management considered providing regular updates to shareholders and the capital market on the outstanding order book? What are the factors that contributed to the increase in gross profit margin of 17% in 2022, and what is the management's target for the gross profit margin in the E&C segment in the medium-to-long term?**

### *The Company's Response*

During the tender process, the Group's E&C project team lead by the Group's CEO works through the expected project budget including the gross margin target before submission of tender. The Group will not proceed with tender if the pricing is not achievable.

Due to the nature of the Group's E&C project timeline which is usually within a year or slightly more than a year, it is not viable to have order book updates. The primary factor that contributed to the increase in gross profit margin of 17% in 2022 was the better utilisation of cost overheads in FY2022 as compared to FY2021 when we were affected badly by the pandemic.

The Group does have an expected gross profit margin in the medium-term period. As the industry is highly competitive, it is not in the best interest of the Group to disclose the gross profit margin target number.

- (ii) **Corrosion prevention: As a top-tier provider of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries, is the group getting more enquiries and requests for quotations (RFQs) from marine, oil and gas customers? If so, how successful was management in turning the RFQs into confirmed orders? What are some of the major opportunities in the next 18-24 months?**

### *The Company's Response*

The Group has seen an increase in enquiries in this sector as there has been an increase in projects awarded to the local industries. The Group has been working hard on these enquiries and is cautiously optimistic that the Group will be able to convert more RFQs into confirmed orders as jobs are speeding up in various customers' shipyards.

- (iii) **Solar energy: How is the group capitalising on high energy costs and the momentum in energy transition to accelerate the growth of its solar energy segment? Has the group adapted its business model to tap into the opportunities offered by large-scale solar farms?**

*The Company's Response*

The Group is proactively expanding the Group's existing EPC teams and resources to capture increasing demand for the Group's EPC services. The Group is also involved in tendering and executing some large-scale solar projects currently available in Singapore. The Group will continue to explore for opportunities to grow this segment.

**As disclosed in Note 29 Share Capital (page 118), 32.5 million shares were brought back during the year and cancelled.**

**As at 31 December 2022, 67.7 million shares (or 11.09% of the total issued shares) were held as treasury shares.**

- (i) **Can the board elaborate further on the group's capital management? How is the aggressive share buyback aligned to the group's strategic growth plan? Is the board evaluating investment opportunities?**

*The Company's Response*

Following the regrouping and right-fitting of our business strategies over the past few years to better align with the available resources and competencies of the Group, the Group continues with its long-term sustainable growth plan by refocusing on its core competencies and existing pillars of business. Having consolidated our position during the Covid period, the Group now prioritises working capital management with the primary objective of funding the Group's organic growth. The Group regularly evaluates investment opportunities in relation to its available resources and competencies, and will make further announcements if the Group decides to proceed with such investments in accordance with SGX Listing Rules of the Group.

As the result of its efforts over the past few years, the Group reported a profit after tax for the year ended 31 December 2022 of S\$5.634 million and proposed a final (one-tier) dividend of S\$0.0035 per share for shareholder's approval at the Annual General Meeting to be held on 27 April 2023 to reward its shareholders for their support over the years.

As shared in the Appendix dated 14 April 2022 titled "Appendix in relation to the Proposed Renewal of Share Buyback Mandate" to the Notice of Annual General Meeting dated 14 April 2022 set out in the Company's Annual Report 2021 to shareholders, share buyback provides the Company greater flexibility over its share capital structure with a view to enhancing EPS and/or NTA per share as well as a mechanism to return surplus cash (if any) which is in excess of the Group's financial needs and/or ordinary capital requirements.

During 2022, total number of shares bought back by the Company was 72,233,900 shares (“Repurchased Shares”). Of these Repurchased Shares, 32,529,300 Repurchased Shares were cancelled.

- (ii) **What are the plans for the relatively large number of the shares held as treasury shares?**

*The Company's Response*

To enhance shareholder return, the Group needs to motivate our key staff to excel. In furtherance of such objective, the Group is structuring a staff performance incentive scheme that includes having key staff participate in the equity of the Company for which the Treasury Shares could be deployed for purposes of such scheme.

- (iii) **In addition, what is the level of oversight by the board, especially the independent directors, on the company's share buyback?**

*The Company's Response*

The execution of the Company's share buyback in accordance with the Share Buyback Mandate was delegated to the Group's CEO Mr Ng Han Kok Henry and CFO Mr Daniel Goh who then updated the Board on the progress of the share buyback.

- (iv) **Is the board/company aware of the counterparties of the share buybacks? What safeguards have the boards introduced to ensure that the buybacks are carried out in accordance with the rules and regulations?**

*The Company's Response*

The execution of the share buyback in accordance with the Share Buyback Mandate was by the Group's CEO Mr Ng Han Kok Henry and CFO Mr Daniel Goh with the assistance of the Company's designated stockbroker OCBC Securities who executed the buyback via market trades with the counterparties not known to the Company.

**On 30 September 2022, the company announced the appointment of Mr Oong Wei Yuan, Ron as an independent director. Mr Oong will also be appointed as a member of the audit, nominating and remuneration committees. Mr Oong has no prior experience as a director of a public listed company in Singapore. In the annual report, it was disclosed that Mr Oong has completed the mandatory training modules conducted by the SID as prescribed by the SGX-ST.**

- (i) **Can the nominating committee (NC) help shareholders better understand the selection criteria, board diversity considerations and the search and nomination process that led to the appointment of Mr Oong, as required in the SGX announcement template?**

*The Company's Response*

As announced on 30 September 2022, the appointment of Mr Oong Wei Yuan, Ron to replace Mr David Lee who had served on the Board for 9 years was undertaken as part of the board renewal process. Following the announcement on 11 January 2023 by SGX RegCo that it has fixed the tenure limit for Non-Executive Independent Directors to nine years, Mr Oh Eng Bin's independence status will cease at the conclusion of the Annual General Meeting to be held in 2024. Mr Oong Wei Yuan, Ron is part of the Board renewal process and the Group will see additional changes to its Board composition to comply with the fixed nine year tenure limit for Non-Executive Independent Directors.

We refer to page 19 of Annual Report 2022 released in SGXNet on 11 April 2023 which describes the Board Diversity Policy that is considered by the Nominating Committee and Board in the identifying and selection of potential candidates for appointment to the Board. In the selection and appointment of Mr Oong, the NC takes into consideration the Group's Board Diversity Policy and Mr Oong's legal experience in the areas of mergers and acquisition, infrastructure such as factories, buildings and power plants (including utility as well as commercial and industrial scale solar farms), sale and purchase of energy including natural gas, project finance and banking which are relevant in the context of the Group's business and operations.