SHS HOLDINGS LTD.

("**Company**")

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197502208Z)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**" or "**Directors**") of the Company, and together with its subsidiaries (the "**Group**") would like to provide the following information in response to queries raised by the SGX-ST on 5 March 2021 in respect of the financial statements for financial year ended 31 December 2020 .

SGX-ST Query 1:

We note that the Company has disclosed, inter alia, on page 12 of the Financial Statements that there is a "one off impairment charge of S$1.1 million for the value of land acquired in Malaysia, one off impairment of goodwill of S$8.8 million, revaluation loss of leasehold building of S$3.5 million in E&C segment and expected credit loss provision for non-trade receivables in relation to other investment of S$3.7 million. Please clarify the following:

(i) With regard to the land acquisition in Malaysia, please disclose:

(1) the background of the transaction;
(2) how the amount of impairment was determined;
(3) whether any valuation was conducted, the value placed on the assets, the basis and the date of such valuation;
(4) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
(5) the reasons for the impairment loss.

(ii) With regard to the one-off impairment of goodwill, please disclose:

(1) the nature of the goodwill;
(2) how the amount of impairment was determined;
(3) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
(4) the reasons for the impairment loss.

(iii) With regard to the revaluation loss of the leasehold building, please disclose:

(1) how the amount of impairment was determined;
(2) whether any valuation was conducted, the value placed on the assets, the basis and the date of such valuation;
(3) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
(4) the reasons for the impairment loss.

(iv) With regard to the expected credit loss provision for non-trade receivables in relation to other investments, please disclose:

(1) the underlying transactions of these receivables;
(2) the Company's plans to recover these receivables;
(3) whether they are major customer(s) and whether the Company continues to transact with these customer(s) and if so, what are the commercial reasons in doing so;
(4) a breakdown of the aging of these receivables;
(5) the actions taken by the Company to recover these receivables;
(6) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables;
(7) the Board's assessment of the recoverability of the remaining trade and other receivables.

Company's Response to SGX-ST Query 1:

i) Impairment of Land acquired in Malaysia.

The freehold industrial land is located in the District of Pontian, State of Johor Darul Takzim and was acquired in 2016 for development. However, the development plan did not materialise due to a change in market conditions, amongst others, that were beyond our control.

Freehold land has an unlimited useful life and therefore is not depreciated but reviewed at each reporting date to determine whether there is an indication of impairment. As management has assessed there were indication of impairment given the situation in Malaysia under the current COVID-19 pandemic, the Group has engaged an external professional valuer, Knight Frank Malaysia Sdn Bhd ("KFM"), the same valuer used by the lending bank, to assess the Market Value of the land as at 31 December 2020, and this valuation formed part of the management's process for impairment assessment at the reporting date.

Based on the valuation report dated 2 February 2021, KFM has determined the Market Value of the land was RM11.4 million (equivalent to S$3.74 million) as at 31 December 2020. The Market Value which is synonymous with fair value of the land has been derived by using the Comparison Approach of Valuation. As the carrying amount of the land at the reporting date is above the estimated recoverable amount, an impairment charge of S$1.1 million was made.

The Board has reviewed the management's impairment assessment including the valuation report and is satisfied with the reasonableness of the methodologies used to determine the amount of impairment loss.

ii) One-off impairment of goodwill

The goodwill mainly arose from the Group's acquisition of Hetat Holdings Pte. Ltd. and its group of companies ("Hetat Group") in 2014, which they are involved in the business of designing, engineering and construction of steel, aluminium and glass structure. The goodwill represented the expected future benefits from the Hetat Group's business on acquisition then. Also, the Group acquired Speedo Corrosion Control Pte Ltd in 2006 when it expanded into the tank coating services.

The carrying amount of goodwill ("GW") was allocated to the respective cash-generating units ("CGUs"), and the carrying amount of the CGU including goodwill ("CV") was compared to the value in use calculations ("VIU"), based on discounted cash flow model, to assess for any impairment loss as at 31 December 2020, the details of which are set out in the table below.

CGUs	GW	Net identified assets of CGUs	Total CV	VIU	Excess/(Deficit) of VIU over CV
Engineering construction ("Hetat") (S$' million)	15.8	18.7	34.50	26.70	(7.8)
Corrosion prevention ("Speedo") (S$' million)	1.0	1.8	2.8	1.8	(1.0)

Based on the VIU, an impairment of goodwill of S$8.8 million was made. The Board has reviewed the management's impairment assessment and is satisfied with the reasonableness of the methodologies used to determine the amount of impairment loss.

iii) The revaluation loss of the leasehold building

According to Group's accounting policy, leasehold properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

The Group has engaged an external professional valuer, RHT Valuation Pte Ltd ("RHT"), to assess the Market Value of the leasehold building located at 19 Tuas Avenue 20 as at 31 December 2020.

According to the valuation report dated 22 January 2021, RHT has determined the Market Value of the leasehold building was S$23.0 million as at 31 December 2020. The Market Value of the leasehold building has been derived by using the Comparison Sales Method. As the carrying amount of the leasehold building at the reporting date is above the estimated Market Value, a revaluation loss of S$3.5 million was made.

The Board has reviewed the valuation report and is satisfied with the reasonableness of the methodologies used to determine the amount of revaluation loss.

iv) Expected credit loss provision for non-trade receivables in relation to other investments

The non-trade receivables in relation to other investments represent loans that were previously extended by the Company to an investee company, incorporated in Singapore, for the investee company's investment in certain unlisted equity securities in Singapore with no fixed terms of repayment. The underlying transaction of these loans had been announced on the SGX-ST on 15 October 2014 and 24 October 2014.

At the current reporting date, the loans are not expected to be repaid within the next twelve months. The loans are non-trade in nature, unsecured and interest-free. As at 31 December 2020, the Group has recognised an additional allowance for expected credit loss of S$3.7 million based on management's assessment on the fair value of the investee company's underlying investment in those said unlisted equity securities at the reporting date.

The Board has reviewed management's assessment on the recoverability of the remaining trade receivables, contract assets and other receivables as at year end and their conclusion in light of known circumstances. The Board has also reviewed the adequacy of the allowance for impairment loss made on the financial assets if the financial assets are assessed to be credit-impaired or when there is no realistic prospect of recovery. The Board evaluated the Group's expected credit loss model to calculate the allowance for expected credit loss is in accordance with the requirements of SFRS(I) 9, including considerations of the impact of the COVID-19 pandemic and found the estimates used to derive the loss allowance for the remaining trade receivables, contract assets and other receivables as at year end to be appropriate.

SGX-ST Query 2:

We note that the Company has disclosed a "fair value loss of S$9 million in energy drilling" on page 13 of the Financial Statements. Please disclose:

(i) the nature and basis of the fair value loss;
(ii) how the quantum of the loss was determined; and
(iii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the loss.

Company's Response to SGX-ST Query 2:

The Group's investment in equity securities are classified as financial assets measured at Fair Value through Other Comprehensive Income (FVOCI). At each reporting date, these financial assets are measured at fair value and the movements in the carrying amount of FVOCI are taken through other comprehensive income.

The fair value loss of S$9 million in energy drilling relates to the measurement of the fair value of the Group's investment in Energy Drilling Pte Ltd at the reporting date, which was assessed based on the investor reports including brokers' valuations.

The Board has reviewed the management's assessment and is satisfied with the reasonableness of the methodologies used to determine the fair value loss.

SGX-ST Query 3:

Please provide a breakdown of the line item "other receivables and prepayments" (both current and non-current) found on page 3 of the Financial Statements.

Company's Response to SGX-ST Query 3:

The breakdown of other receivables and prepayments is as follow:

	S$'000	
Loan to GlobalFund Capital Pte Ltd	2,710	(a)
Deposit for Bellfield land	1,834	(b)
Super Energy Group (HK) Co., Ltd*	1,821	(c)
JSS receivables	333	

Prepayments	304	
Other deposits	302	
Advances to supplier	239	
GST/VAT receivables	101	
Other receivables (individually not material)	634	
Total	8,278	

Other receivables	S$'000	
Current	5,568	
Non-current	2,710	
Total	8,278	

(a) As explained in queries 1 (iv)

(b) This represents an amount paid to Bellfield Estate Limited ("BEL"), a subsidiary of GYP Properties Limited ("GYP"), a company listed on the SGX-ST, in the previous financial year as a deposit to co-develop a housing estate on the subject property ("Bellfield Land").

(c) This relates to the consideration for the remaining 10% shareholding in Sing Holdco, for the divestment of Vietnam solar power plant project, of which S$1.3 million has been received subsequently in January 2021.

By Order of the Board
Ng Han Kok, Henry
Executive Director and Group CEO
9 March 2021