

SHS HOLDINGS LTD.
(Company Registration No. 197502208Z)
(Incorporated in Singapore)

MINUTES OF THE ANNUAL GENERAL MEETING HELD ON 26 JUNE 2020

The Board of Directors of SHS Holdings Ltd. (the “**Company**”) wishes to inform Shareholders that in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period jointly published by the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020, minutes of the Annual General Meeting (“**AGM**”) which was convened and held by way of electronic means on Friday, 26 June 2020 has been recorded and is attached hereto as Annex A.

The Company had on 25 June 2020 released on SGXNet and its website its responses to substantial and relevant questions received from Securities Investors Association (Singapore).

By Order Of The Board

Tan Lay Hong
Company Secretary

23 July 2020

ANNEX A

MINUTES OF AGM

SHS HOLDINGS LTD.
(Company Registration No. 197502208Z)
(Incorporated in Singapore)

**MINUTES OF ANNUAL GENERAL MEETING
HELD BY WAY OF ELECTRONIC MEANS**

PLACE : Via “live” audio-visual webcast and “live” audio-only stream in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meeting for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“Electronic Means”)

DATE : Friday, 26 June 2020

TIME : 10.00 a.m.

IN ATTENDANCE : The following Directors were present at the webcast venue:

Mr Teng Choon Kiat	Executive Chairman
Mr Ng Han Kok	Group Chief Executive Officer
Mr Lim Siok Kwee, Thomas	Non-Executive Director
Mr Lee Gee Aik	Lead Independent Director, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees
Mr Wong Tat Yang	Chief Financial Officer

The following Directors were present remotely:

Mr Lee Kuo Chuen, David	Independent Director, Chairman of the Nominating Committee and member of the Audit and Remuneration Committees
Mr Oh Eng Bin, Kenneth	Independent Director, Chairman of the Remuneration Committee and member of the Audit and Nominating Committees

SHAREHOLDERS PRESENT VIA ELECTRONIC MEANS : Please refer to Audio-visual Webcast and Audio-feed Attendee Report.

CHAIRMAN : Mr Teng Choon Kiat

QUORUM

As a quorum was present electronically, the Chairman declared the Meeting open at 10.00 a.m.

The Chairman informed that in convening the Meeting via live audio-visual webcast and live audio-only stream, the Company has adhered to the various advisories and guidance issued by the authorities on the conduct of general meeting during the period when elevated safe distancing measures are in place.

Thereafter, the Chairman introduced the Board of Directors who attended either in person or by electronic means.

NOTICE

The Notice convening the Meeting was taken as read.

The Chairman informed that in accordance with the Additional Guidance on the Conduct of General Meetings During Elevated Safe Distancing Period jointly issued by ACRA, MAS and SGX on 13 April 2020, all resolutions tabled at the Meeting must be voted by proxy only and only the Chairman of the Meeting could be appointed as proxy. All resolutions tabled at the Meeting were voted by poll and counted based on the proxy forms that were submitted to the Company at least 48 hours before the Meeting.

The Chairman further informed that in his capacity as Chairman of the Meeting, he has been appointed as proxy by numerous shareholders and were voting in accordance with their instructions. Boardroom Corporate & Advisory Services Pte. Ltd. and Complete Corporate Services Pte. Ltd. were appointed as the polling agent and scrutineer for the poll respectively. The validity of the proxies submitted by the shareholders by the submission deadline of 10.00 a.m. on 24 June 2020 had been reviewed and the votes of all such valid proxies had been counted by the polling agent and verified by the scrutineer.

Q&A SESSION

As indicated in the Company's announcement on 4 June 2020, shareholders would not be able to ask questions at the Meeting during the live audio-visual webcast and live audio-only stream. The Company did not receive any questions related to the resolutions tabled at this meeting from shareholders. However, the Company had received some questions from Securities Investors Association (Singapore) and the responses to the questions had been posted on SGXNet and the Company's website on 25 June 2020. The responses to the questions are also annexed to these minutes as Appendix "I".

ORDINARY BUSINESS:

1. DIRECTORS' STATEMENT AND AUDITED FINANCIAL STATEMENTS – RESOLUTION 1

The motion in relation to Resolution 1 set out as follows was duly proposed by the Chairman:

"That the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2019 together with the Auditors' Report be received and adopted."

The votes were counted and verified.

The result of Ordinary Resolution 1 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes "For"	:	266,870,302 (99.99%)
Number of valid votes "Against"	:	30,000 (0.01%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 1 carried.

2. FINAL DIVIDEND – RESOLUTION 2

The Directors had recommended the payment of a final (one-tier tax exempt) dividend of 0.30 Singapore cents per ordinary shares for the year ended 31 December 2019. The dividend, if approved, would be paid on 27 July 2020.

The motion in relation to Resolution 2 set out as follows was duly proposed by the Chairman:

“That the payment of a final (one-tier tax exempt) dividend of 0.30 Singapore cents per ordinary share for the year ended 31 December 2019 be approved.”

The votes were counted and verified.

The result of Ordinary Resolution 2 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes “For”	:	266,870,302 (99.99%)
Number of valid votes “Against”	:	30,000 (0.01%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 2 carried.

3. RE-ELECTION OF DIRECTOR – RESOLUTION 3

Resolution 3 dealt with the re-election of Mr Oh Eng Bin, Kenneth. Mr Oh had signified his consent to continue in office and would, upon re-election as a Director of the Company, remained as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees, and would be considered independent.

The motion in relation to Resolution 3 set out as follows was duly proposed by the Chairman:

“That Mr Oh Eng Bin, Kenneth be re-elected as a Director of the Company.”

The votes were counted and verified.

The result of Ordinary Resolution 3 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes “For”	:	263,446,202 (98.71%)
Number of valid votes “Against”	:	3,454,100 (1.29%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 3 carried.

4. RE-ELECTION OF DIRECTOR – RESOLUTION 4

The chair was handed over to the Group CEO, Mr Ng Han Kok, Henry, to conduct the re-election of Mr Teng Choon Kiat.

Mr Teng Choon Kiat had signified his consent to continue in office and would, upon re-election as a Director of the Company, remained as Executive Director and Executive Chairman of the Board.

The motion in relation to Resolution 4 set out as follows was duly proposed by Mr Ng Han Kok, Henry:

“That Mr Teng Choon Kiat be re-elected as a Director of the Company.”

The votes were counted and verified.

The result of Ordinary Resolution 4 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes “For”	:	73,182,202 (99.96%)
Number of valid votes “Against”	:	30,000 (0.04%)
Total number of valid votes received	:	73,212,202

Based on the results, Mr Ng Han Kok, Henry declared the Ordinary Resolution 4 carried.

At this juncture, the chair was handed back to Mr Teng Choon Kiat to continue with the conduct of the remaining business of the Meeting.

5. DIRECTORS’ FEES – RESOLUTION 5

The Board had recommended the payment of a sum of S\$229,200 as Directors’ fees for the year ending 31 December 2020.

The motion in relation to Resolution 5 set out as follows was duly proposed by the Chairman:

“That the Directors’ fees of S\$229,200 for the year ending 31 December 2020 be approved for payment.”

The votes were counted and verified.

The result of Ordinary Resolution 5 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes “For”	:	266,870,302 (99.99%)
Number of valid votes “Against”	:	30,000 (0.01%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 5 carried.

6. ADDITIONAL DIRECTORS’ FEES – RESOLUTION 6

The Board had recommended the payment of additional Directors’ fees of S\$15,000 which arose from the additional board meetings held in the financial year ended 31 December 2019.

The motion in relation to Resolution 6 set out as follows was duly proposed by the Chairman:

“That the sum of S\$15,000 as additional Directors’ fees for the financial year ended 31 December 2019 be approved for payment.”

The votes were counted and verified.

The result of Ordinary Resolution 6 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes "For"	:	266,870,302 (99.99%)
Number of valid votes "Against"	:	30,000 (0.01%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 6 carried.

7. AUDITORS – RESOLUTION 7

The retiring auditors, Moore Stephens LLP, had expressed their willingness to continue in office.

The motion in relation to Resolution 7 set out as follows was duly proposed by the Chairman:

"That Moore Stephens LLP be re-appointed as Auditors of the Company until the conclusion of the next Annual General Meeting and that the Directors be authorised to fix their remuneration."

The votes were counted and verified.

The result of Ordinary Resolution 7 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes "For"	:	266,870,302 (99.99%)
Number of valid votes "Against"	:	30,000 (0.01%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 7 carried.

8. ANY OTHER BUSINESS

As no notice of any other business has been received by the Secretary, the Meeting proceeded to deal with the special business of the meeting.

SPECIAL BUSINESS:

9. AUTHORITY TO ISSUE SHARES – RESOLUTION 8

The motion in relation to Resolution 8 set out as follows was duly proposed by the Chairman:

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might

or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from the exercise of share options or vesting of share awards, provided the options and awards were granted in compliance with the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;

provided such adjustments in sub-paragraphs (2)(a) and (b) above are made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

The votes were counted and verified.

The result of Ordinary Resolution 8 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes "For"	:	263,446,202 (98.71%)
Number of valid votes "Against"	:	3,454,100 (1.29%)
Total number of valid votes received	:	266,900,302

Based on the results, the Chairman declared the Ordinary Resolution 8 carried.

10. PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE – RESOLUTION 9

The chair was handed over to the Group CEO, Mr Ng Han Kok, Henry, to conduct the proposed renewal of the share buyback mandate.

The Meeting noted that Resolution 9 was to approve the renewal of the Share Buyback Mandate and to authorise the Directors of the Company to purchase shares up to ten percent (10%) of the total number of issued ordinary shares of the Company (excluding treasury shares) as at the date of the passing of this Ordinary Resolution.

Details of the Share Buyback Mandate were set out in the Appendix to Annual Report dated 9 April 2020.

As stated in the Appendix, Mr Teng Choon Kiat and persons acting in concert with him, will abstain from voting for and/or recommending shareholders to vote in favour of this resolution.

The motion in relation to Resolution 9 set out as follows was duly proposed by Mr Ng Han Kok, Henry:

"That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or
 - (ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

- (b) unless revoked or varied by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next AGM of the Company is held or required by law to be held; and
 - (ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;
- (c) in this Resolution:

“**Prescribed Limit**” means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of its issued share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the ten per centum (10%) limit; and

“**Relevant Period**” means the period commencing from the date of the AGM on which the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate is passed and expiring on the date on which the next AGM of the Company is held or required by law to be held, whichever is earlier; and

“**Maximum Price**” in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereinafter defined); and
- (ii) in the case of an Off-Market Purchase, one hundred and fifteen per centum (115%) of the Average Closing Price (as hereinafter defined);

where:

“**Average Closing Price**” means the average of the closing market prices of a Share traded on SGX-ST over the last five (5) market days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period and the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase

price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and
- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution.”

The votes were counted and verified.

The result of Ordinary Resolution 9 tabled at the Meeting, taken on a poll, was as follows:

Number of valid votes “For”	:	73,182,202 (99.96%)
Number of valid votes “Against”	:	30,000 (0.04%)
Total number of valid votes received	:	73,212,202

Based on the results, Mr Ng Han Kok, Henry declared the Ordinary Resolution 9 carried.

At this juncture, the chair was handed back to Mr Teng Choon Kiat to continue with the conduct of the remaining business of the Meeting.

There being no other business to transact, the Chairman declared the Annual General Meeting of the Company closed at 10.20 a.m. and thanked everyone for their attendance.

CONFIRMED AS TRUE RECORD OF PROCEEDINGS HELD

**TENG CHOON KIAT
CHAIRMAN**

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 2019**

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 2019 (“**Annual Report 2019**”). The questions raised by SIAS and the Company’s corresponding responses are set out below:

SIAS Query 1:

Q1. In his statement (pages 6 and 7 of the annual report), the chairman discussed several important issues including how the group had been “laden with too many relatively gargantuan business development activities and complex projects” in quick succession. He also acknowledged that the group, through the joint venture partners, did not satisfactorily address issues as they happen and, in fact, the group’s competencies to directly manage some of these demands were found lacking.

The group has moved quickly in the past two years to correct these missteps, which include the disposal of 50MW solar power plant project in Ninh Thuan Province, Vietnam, completing the Bangladesh 50MW solar power plant project, scaling down new direct investments into solar power plants and the possible disposal of the modular construction business.

(i) With the benefit of hindsight, can the board help shareholders understand how it might have under-estimated the challenges of going into the new businesses, in terms of the demand on human and financial capital to drive all these new businesses at the same time?

Company’s response:

To put into proper perspective, we outline, in chronological order, SHS growth path in the nearly last two decades which were peppered with some major crisis.

Established in 1971, SHS Holdings Ltd., formerly See Hup Seng Limited, has grown from strength to strength into a diversified group today. With its anchoring expertise in corrosion prevention (“CP”) from day one, SHS diversified into the supply chain management of petroleum-derived products in 2007. Henceforth SHS has produced a proud string of commendable results till 2014 and continued to deliver value add results with the acquisition of structural steel and façade (“SSF”) in 2014 and divestment of the refined petroleum business in 2015.

In the year 2016, assessing the way ahead was going to be challenging with increasing global economic volatility, likely depressed oil prices and intensifying competition making the headlines which may impact the performance of the Group’s operations, namely CP and SSF

segments coupled with the loss of contribution from the refined petroleum business divested in 2015, SHS looked into developing new capabilities and markets earnestly.

Thus, as an extension of its structural steel engineering activities, our wholly-owned subsidiary Hetat Holdings Pte. Ltd., began to developing key competence in the area of Pre-fabrication, Pre-finished Volumetric Construction (“PPVC”) by going into a joint venture with an existing player in modular construction (which designs and build factory-produced, pre-engineered buildings units that are delivered to site and assembled as substantial elements of a building) in 2016/17.

At the same time, in the 2015 climate change conference held in Paris, governments around the world pledged to work together to reduce global warming. Thereby enhancing the prospects for various renewable energy options such as solar power generation. SHS made in-roads into the renewable energy sector such as the solar power business through its subsidiary, Sinenergy Pte Ltd incorporated in February 2015. In 2016, it completed a 4MW grid-tiered solar photovoltaic system on the rooftop of SATS Airfreight Terminals 5 and 6 at Singapore Changi Airport as well as a number of residential solar panel installations in Singapore. Henceforth, the Group accelerates its track record in solar energy to become one of its key growth engines.

On 30 December 2015, the Group announced that Hetat had accepted a letter of intent issued by the Bangladesh Power Development Board, a statutory body responsible for the generation and distribution of electricity in Bangladesh, for the proposed design, construction, operation and maintenance of a 50MW solar power plant at Sutiakhali, Mymensingh District, Bangladesh. In this venture, we are collaborating with the leading solar engineering, procurement and construction (EPC) solutions provider in Malaysia, Ditrolic Solar Technology. The project upon approval by shareholders in the extraordinary general meeting was scheduled to be completed by the second quarter of 2018 is expected to place the Group firmly into the renewable energy segment and boost the Group’s earnings stream.

At the same time, we also completed an extensive research into the opportunities and technical parameters surrounding the potential of harnessing solar energy in Vietnam, and the research presented Ninh Thuan in Vietnam as the most suitable and ideal location for such a project. This was also confirmed by the research provided to us by the Vietnamese authorities.

Thus, on 5 April 2017, SHS announced that its wholly-owned subsidiary, Sinenergy Holdings Pte Ltd, signed a memorandum of understanding (“MOU”) with the Ninh Thuan People’s Committee to develop a 300MW solar farm on agricultural land in Ninh Thuan Province, Vietnam (“NT Project”). This proposed investment is subject to a detailed feasibility study to be conducted; the subsequent issue of an investment licence from Ministry of Planning and Investment of the Socialist Republic of Vietnam, and the conclusion of a solar power policy and legislation to be ratified by the Vietnamese Government expected later this year, before the parties move ahead to sign an Implementation Agreement.

Therefore, from the above, it can be seen that the Group has been making strategic planning and changes in accordance with the changing and demanding operating environment. The Group has its fair share of successes as per the progressive results from 2007 to 2015. However, from the last three years’ experience, it is ever more aware of many likely pitfalls that may crop up despite in-depth study, research and planning on the one hand and the ability, commitment and alignment of interest of the JV partners on the other hand. The subsequent forays proved to be very capital intensive and have longer gestation period than expected. SHS aims to be more thorough and nimbler in its execution. It is still an art to have the right mix of human and financial capital in the face of the constantly changing landscape. Nevertheless, the Group is willing to make decisive, deft and timely decision when required such as “pull the plug” if deemed necessary.

For instance, although the NT Project continues to be an attractive investment, SHS decided, on 28 Dec 2018 to divest its interests since the planned external financing did not come to fruition. The divestment is in line with the Group's ongoing strategic review and objective of streamlining its investment activities in its solar business. The divestment increases the overall financial capacity and flexibility of the Group for further investments in solar and other business units.

(ii) In approving the group's strategic objectives then, were there sufficient robust debate and due diligence carried out to allow the directors to constructively challenge management and help develop proposals on its expansion strategy?

Company's response:

The Group has in place a robust investment process to ensure that all new businesses are carefully studied and researched by management before they are tabled for further debate and deliberation by the Board. The Group is open and transparent and does not hesitate to tap on the vast resources and experience of our executive and independent directors.

(iii) Going forward, has the board made any changes to the board processes, including how it approves major investments and material acquisitions?

Company's response:

Although the Group is satisfied with the current practice, it is mindful that we should be open to seek outside expertise and relevant professionals as and when is necessary to offer a different and constructive perspective.

Please read in conjunction with Company's response to Query 1 (ii)

SIAS Query 2:

Can the board/management provide shareholders with better clarity on the following matters related to its continuing operations? Specifically:

(i) Corrosion prevention (“CP”): Can management help shareholders understand how much of its revenue from CP was related to the marine and offshore sector? What are the opportunities in the other areas such as the construction and infrastructure industries?

Company’s response:

Our Corrosion Prevention Division is a leading corrosion prevention specialist in Singapore. With roots dating back to the early 1970s, we provide high quality and efficient corrosion prevention services to customers in the marine, oil and gas, civil construction and infrastructure industries. Over the years, we have enhanced our core competencies and moved up the value chain to establish a strong niche in specialised tank coating services and large-scale plant operations.

What is Corrosion Prevention?

Corrosion prevention (“CP”) lengthens the lifespan of metal structures. Metal structures when exposed to elements in the environment, will suffer deterioration in structural strength. CP typically begins with the blasting process, which cleans and eliminates contaminants on the surface of metal structures. This prepares it for coating and painting which will protect and prolong the life of these structures.

Complete Range of Services

At CP, we provide comprehensive corrosion prevention services through a wide range of blasting and coating methods at our own plant as well as on-site at customers’ shipyards.

For Tank Coating on-site, CP carries out highly specialised and controlled process of grit blasting and paint coating for internal surfaces of chemical tankers, FPSO (Floating, production, storage and offload) vessels, and barges. Our commitment to meeting customers’ expectations and consistently delivering jobs on schedule has enabled us to be a resident contractor for premier shipyards in Singapore.

For Plant Operations, blasting and coating of raw materials that are supplied by customers, such as steel plates, steel structures (beams and pipes), and fabricated modules. To complement our core services and deliver a one-stop solution to customers, we are also engaged in the design, supply and distribution of corrosion prevention systems, machinery, equipment, materials and products.

To complement our core services and deliver a one-stop solution to customers, we are also engaged in the design and supply of blasting and painting systems.

Overall, on average, the marine and offshore sector contributes about 70% to 75% of CP’s revenue. We are cautiously optimistic that our CP can further grow its presence in the construction sector and infrastructure arena such as MRT as we have both the skillsets and facilities to cater for and fulfil their needs for design and supply of corrosion prevention systems and blasting and painting systems.

(ii) Engineering & Construction (“E&C”): Would the group consider disclosing the order book for its steel engineering business? What is the estimated volume for the group to breakeven?

Company’s response:

While Group is closely monitoring the order book for its steel engineering business, there exists many business and practical factors for not being able to share the information with other stakeholders. It also involves sensitivity especially from our clients since the Group is working closely with various main contractors who are constantly doing their number crunching and thus warrants us to main a low profile on our participation as part of their strategy to win the main contract which involves a much bigger contract sum as compared to our steel portion.

In general, our breakeven point is not too demanding as we maintain a low overhead strategy and share many works with our sub-contractors. Moreover, the Group is planning to expand our capacity in Johore, Malaysia to enhance our management and control of costs and operating risk.

(iii) Solar energy: Did the group secure an exclusive distribution for the solar inverters? Can management disclose the brand(s) of solar inverters it distributes? For the 50MW solar power plant project in Bangladesh, what are the group’s plans for the solar power plant after it achieves Commercial Operation by 30 June 2020?

Company’s response:

For the solar energy segment, the Group, through its subsidiary, Sinenergy Holdings Pte Ltd, is involved in solar energy development and EPC works. It successfully installed various roof-top, ground-mounted photovoltaic systems of all scales for domestic and commercial customers in Singapore. It also secured distribution rights solar inverters under the license from Huawei for certain territories and we are actively pursuing its sales and marketing potential.

It should be noted that the Commercial Operation Date for the 50MW solar power plant project in Bangladesh may have to be deferred to beyond 30 June 2020 with the impact of the Covid-19 since February 2020. As reported earlier, the solar project is faced with a financing gap of up to US\$56 million to complete the project. Accordingly, the Company is exploring all options, including sourcing for funding to plug the financing gap or to diversify the solar power plant project as SHS is careful not to overburden the Group on its financial capital to drive new business while seeking the best outcome for the Group.

SIAS Query 3:

On 5 April 2020, the company announced that there are material differences between the unaudited results (first announced by the company on 27 February 2020) and the audited financial statements for FY2019 after the finalisation of audit.

After the finalisation of audit, loss after income tax increased by 84% from \$(13.8) million to \$(25.4) million. Cash from operating activities turned from an inflow of \$3.6 million to an outflow of \$(9.1) million. Total equity dropped from \$172.4 million to \$160.8 million.

For FY2016, FY2017, FY2018 and FY2019, the company has had to announce that there are discrepancies after the finalisation of audit in each of the past four years.

(i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?

Company's response:

The Company made SGXnet announcements on the differences between unaudited and audited full year financial statements for the financial years for the FY2016 to FY2019 made pursuant to Rule 704(6) of the Listing Manual with a view to provide clarity to, and explain for, changes to the Consolidated Statement of Comprehensive Income, Statement of Financial Position (Group) and Consolidated Statement of Cash Flows in the Audited Financial Statements compared to what was disclosed in the Unaudited Financial Statements. It is noteworthy that most of the differences relating to FY2016 to FY2018 were primarily reclassifications and thus do not have material impact on the overall results as per audited financial statements after the finalisation of audit. It is not uncommon for auditors to make audit reclassification adjustments for items that may not have a material impact.

The Company is mindful to prepare its financial statements in accordance with the relevant ACT and financial reporting standards. The likely cause of the difference between unaudited and audited financial statements for the financial year can be traced to the timing difference since the preliminary unaudited financial results are made within 60 days from the year end of 31 December of each year and the audited financial results in the annual report has the benefits of subsequent events and all matters that may have transpired or materialised since then to the print date. In addition, carrying value of certain assets are determined based on assumptions and estimates of forecasts of the underlying Cash Generating Unit. All these involve management judgements which may have to be subsequently revised by additional available information and discussions. Moreover, the unaudited financial statements are produced by the Company and the audited financial statements has undergone the entire audit process by the external auditors who can often offer a different perspective.

To keep abreast, our auditors constantly provide the Company with the latest development and requirements of the auditing and financial reporting standards. Also, Company strives to recruit more competent and qualified staff and send them for professional upgrading and seminars to keep them updated with the latest development in the financial reporting standards.

The Company provides timely update on any major development between the announcement of preliminary unaudited financial results and the final audit and the publication of AR through broadcast to the SGXnet in due course.

(ii) Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

Company's response:

The AC is aware of the internal financial reporting/finance team and the experience and qualification of senior members of the financial team. Our Chief Financial Officer ("CFO") and Senior Finance Manager are Chartered Certified Accountants with several years of exposure to audit practices and proven experience in the industry and commercial world. The CFO has more than 20 years working experience in SGX listed companies. They are members of their professional bodies where they continue to update themselves on the latest accounting standards to satisfy their continuing professional education requirements of the professional bodies whom they are members.

(iii) Is the company (and its officers) familiar with Singapore Financial Reporting Standards (International)?

Company's response:

Further to our response to Query 3(ii) above, the Company strives to recruit competent and qualified staff and are mindful to send them for professional updating and seminars to keep abreast with the latest development. Also, our auditors constantly provide the Company the latest development and requirements of the auditing and financial reporting standards

(iv) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?

Company's response:

The AC, including the Chairman, has accounting or related financial management expertise or experience. While appropriately qualified to discharge their responsibilities, none of them were previous partners or directors of the Company's external auditors within two years or hold any interest in the external auditors.

The AC Chairman, Mr Lee Gee Aik is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from the Henley Management College, United Kingdom. Mr Lee is also a director and AC Chairman of another three SGX-ST listed companies. Hence, Mr Lee has the requisite accounting knowledge to discharge his duties as AC Chairman. With his existing listed directorships and AC Chairmanships, Mr Lee is also well-apprised of the SGX-ST Listing Rules requirements.

Mr Kenneth Oh, is a senior partner in Dentons Rodyk & Davison LLP with practices mainly in the areas of, amongst others, corporate finance and mergers and acquisitions. Mr Oh also sits on another SGX-ST listed company. He brings with him legal knowledge which is relevant and pertinent to the AC and Board especially in the function when there are investment or joint venture proposals for Board's deliberation.

Dr David Lee, a Professor at the Singapore University of Social Sciences has over 20 years of experience in financial modelling, portfolio allocation and alternative investments. Dr Lee also sits on another SGX-ST listed company and has the requisite financial management expertise which he can contribute to the AC and Board.

On an on-going basis, the AC members attend relevant industry conferences, seminars or any training programme in connection with their duties as Directors of listed issuers. They are briefed regularly at each AC and Board meetings on any changes to regulations, policies and accounting standards that affect the Group or Directors' disclosure obligations.

(v) What was the level of involvement by the AC in the preparation of the financial statements?

Company's response:

While the preparation of the Financial Statements is a finance function, the AC has direct access to the Chief Financial Officer and Finance Manager of the Group and seek clarifications as and when it is necessary. Prior to tabling the audited financial statements to the Board for approval, the AC would review the draft audited financial statements. During the review session, the AC would ask relevant questions and seek clarifications from both Management and external auditors on the financial statements. During such session, the AC would also challenge Management on the accounting practices, if need be. If there are any adjustments to be made, the AC would ensure that Management works closely with the external auditors to attend these adjustments. The AC would also review the key audit matters ("KAMs") identified by the external auditors and Management's responses to these KAMs. The AC also meet the external auditors and internal auditors separately without management presence.

(vi) Can the AC update shareholders on the improvements made/to be made to the group's financial reporting systems and processes?

Company's response:

The group's financial reporting systems and processes have been streamlined over the years with clear reporting lines to avoid undue complexities. The AC is mindful that continuous improvement is an important element in the group's financial reporting systems and processes. To this end, the AC regularly engage the internal auditors to review their internal audit plan and external auditors for discussions on their proposed annual audit plan. Furthermore, the AC monitor and follow up on findings of the internal auditors and external auditors to ensure the recommendations are implemented by management.