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## RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT 2019

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The Board of Directors (the "**Board**") of GSH Corporation Limited (the "**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 5 May 2020, in respect of the Company's Annual Report for the financial year ended 31 December 2019.

The Board sets out its responses as follows:

### I. SGX-ST's Query:

- (1) Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. (emphasis added).

Please disclose whether and how Listing Rule 1207(10C) has been complied with. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications. Where the internal audit function is outsourced, please provide information on the name of accounting firm as well as the relevant experience of accounting firm and the engagement team.

### Company's Response:

The Company wishes to state that, in addition to the Audit and Risk Committee's opinion, as disclosed in page 52 of the Annual Report 2019, the Audit and Risk Committee confirms that the internal audit function is independent, effective and adequately resourced, for the following reasons:

- (a) As mentioned in page 51 of the Annual Report 2019, the internal audit function of the Company has been outsourced to an independent professional firm, Ernst & Young Advisory Pte. Ltd. ("**EY**"). EY is a global professional advisory service firm which is independent to the Company with a history of over 30 years in Singapore. EY is a full-resourced service provider, providing internal audit, corporate governance and risk management services, to various industries such as building & construction, property development & management, leisure and hospitality.
- (b) The engagement team is led by a Partner who has more than 16 years of internal audit and risk advisory experience. EY is currently serving clients primarily listed on SGX-ST, privately held entities and public sector entities, ranging from multi-national companies to local small and medium enterprises, in a wide range of industries.
- (c) The EY team engaged to undertake the Company's internal audit function is a team of approximately 4 to 5 persons for each review. Based on representations by EY to the Company, EY follows a global internal audit methodology, which is in line with the Standards for the Professional Practice of Internal Auditing, as set by The Institute of Internal Auditors.

Accordingly, the Audit and Risk Committee, which reviews the adequacy and effectiveness of the internal audit function annually, and together with the Board, are satisfied that the Internal Auditor is independent, effective and adequately resourced, and is staffed with persons with the relevant qualifications and experience.

## II. SGX-ST's Query:

- (2) Provision 8.1 of the Code states that "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:
- (a) each individual director and the CEO; and
  - (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel." (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 of the Code with regard to the disclosure of remuneration, and no explanations were provided for in the Company's FY2019 annual report and the Company's announcement of 24 April 2020 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.

### Company's Response:

As set out in pages 39 to 43 of the Annual Report 2019 and in the Company's announcement on 24 April 2020, the Company has given very substantial disclosures on remuneration.

This includes full disclosure of names and remuneration of all Non-Executive Directors; disclosure of names and remuneration in bands, with breakdowns in percentages, of all Executive Directors; and disclosure of top 5 KMPs, in bands. The only two exceptions (deviations), are the exact amounts and breakdowns in figures, of the Executive Directors; and the names, amounts and aggregate of the total remuneration of the KMPs.

In respect of these two exceptions (deviations), the Board has also explained that it is of the view that it is not in the interests of the Company to disclose such information, due to the sensitivity and confidentiality of such information and the disadvantages it might bring, especially in rendering the KMPs to be more susceptible to poaching, which would in turn, hamper the nurturing of the Company's sustainable talent pool and leadership development.

Principle 8 of the Code requires the Company to be transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation. Notwithstanding the abovementioned exceptions (deviations), the Company is of the view that the level of information that has already been disclosed, is consistent with the intent of Principle 8 of the Code, particularly for the following reasons:

- (a) **Transparency on remuneration policies** – the remuneration policies of the Company have been disclosed on pages 40 to 42 of the Annual Report 2019, not only as part of its compliance with Principle 8 but also in respect of Principle 7. In particular, the differing principles governing the remuneration of Executive Directors and KMP vis-à-vis the Non-Executive Directors were elaborated on.
- (b) **Level and Mix of Remuneration** – the level and mix of remuneration has also been disclosed on pages 42 and 43 of the Annual Report 2019, where:
  - (i) the separate remuneration principles governing the remuneration paid to the Executive Chairman and CEO, and that for the other Executive Directors and KMP, were disclosed on page 42 of the Annual Report 2019;
  - (ii) notwithstanding that the exact amounts of the Executive Directors were not disclosed, these have been disclosed in bands of no wider than S\$250,000 and the breakdown of the components of their remuneration – Fixed (Salary) and Variable (Bonus) – were disclosed in page 43 of the Annual Report 2019;
  - (iii) the KMPs' remuneration have been disclosed in bands of S\$250,000 on page 43 of the Annual Report 2019; and
  - (iv) the Non-Executive Directors' remuneration had been disclosed to the exact amounts on page 44 of the Annual Report 2019.
- (c) **Procedure for Setting Remuneration** – the procedure for setting remuneration has been disclosed on page 42 the Annual Report 2019.
- (d) **Relationships between remuneration, performance and value creation** – the relationship between remuneration, performance and value creation is disclosed through the Company's disclosure on its remuneration policies, as well as the through the disclosed remuneration. Please refer to the Company's response on transparency on remuneration policies in this regard.

The Company is therefore of the view that in light of the abovementioned information that had been disclosed, the Company's disclosures are well aligned with the intent of Principle 8, and the exceptions (deviations), do not materially detract from such alignment.

**By Order of the Board**

**Gilbert Ee Guan Hui**  
**CEO / Executive Director**

8 May 2020