

SHS Holdings Ltd.
(Company Registration No. 197502208Z)

Unaudited Financial Statement Announcement for the Third Quarter 2017

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
	2017 S\$'000	2016 S\$'000	Change %	2017 S\$'000	2016 S\$'000	Change %
<u>Continuing Operations</u>						
Revenue	9,904	12,200	(19%)	25,653	38,843	(34%)
Cost of sales and services	(9,136)	(8,551)	7%	(21,198)	(29,300)	(28%)
Gross profit	768	3,649	(79%)	4,455	9,543	(53%)
Other income	717	790	(9%)	1,336	2,054	(35%)
Selling and distribution expenses	(317)	(143)	122%	(592)	(493)	20%
Administrative expenses	(2,196)	(2,028)	8%	(6,228)	(6,576)	(5%)
Other operating expenses	(1,293)	(942)	37%	(3,955)	(2,909)	36%
(Loss)/profit from operations	(2,321)	1,326	N/M	(4,984)	1,619	N/M
Finance costs	(29)	(28)	4%	(102)	(95)	7%
Share of (loss)/profit of associated companies	(52)	35	N/M	(315)	365	N/M
Share of profit of joint ventures	28	-	N/M	55	-	N/M
(Loss)/profit before income tax	(2,374)	1,333	N/M	(5,346)	1,889	N/M
Income tax	(152)	46	N/M	5	100	(95%)
(Loss)/profit from continuing operations after tax	(2,526)	1,379	N/M	(5,341)	1,989	N/M
<u>Discontinued operations #</u>						
Profit from discontinued operations after tax	8	169	(96%)	192	7,725	(98%)
(Loss)/profit after income tax	(2,518)	1,548	N/M	(5,149)	9,714	N/M
Attributable to:						
Equity holders of the Company						
- Continuing Operations	(2,172)	1,347	N/M	(4,420)	2,002	N/M
- Discontinued Operations	8	169	(95%)	192	7,725	(98%)
	(2,164)	1,516	N/M	(4,228)	9,727	N/M
Non-controlling interests, net of income tax						
- Continuing Operations	(354)	32	N/M	(921)	(13)	N/M
- Discontinued Operations	-	-	N/M	-	-	N/M
	(354)	32	N/M	(921)	(13)	N/M
	(2,518)	1,548	N/M	(5,149)	9,714	N/M

Discontinued operations relates to the Refined Petroleum Business which was divested in FY 2015

Statement of Comprehensive Income

	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
	2017	2016	Change	2017	2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
(Loss)/profit after income tax	(2,518)	1,548	N/M	(5,149)	9,714	(153%)
<u>Other comprehensive income</u>						
Foreign currency translation	(146)	(367)	N/M	(337)	(335)	1%
	<u>(146)</u>	<u>(367)</u>	N/M	<u>(337)</u>	<u>(335)</u>	1%
Total comprehensive (expenses)/income	<u>(2,664)</u>	<u>1,181</u>	N/M	<u>(5,486)</u>	<u>9,379</u>	N/M
Attributable to:						
Equity holders of the Company	(2,330)	1,151	N/M	(4,543)	9,391	(148%)
Non-controlling interests, net of income tax	(334)	30	N/M	(943)	(12)	N/M
	<u>(2,664)</u>	<u>1,181</u>	N/M	<u>(5,486)</u>	<u>9,379</u>	N/M

Additional Information to Group Consolidated Profit and Loss Accounts Under the Provision of Rule 705 of SGX-ST Listing Manual

(Loss)/profit from continuing operations is arrived at after (charging)/crediting the following:

	Note	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
		2017	2016	Change	2017	2016	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other Income	1	102	209	(51%)	358	698	(49%)
Dividend income	2	-	-	N/M	98	334	(71%)
Interest Income	3	615	226	172%	879	736	19%
Interest on borrowings	4	(29)	(28)	4%	(102)	(95)	7%
Depreciation	5	(752)	(726)	4%	(2,168)	(2,287)	(5%)
Fixed assets written off		(16)	(1)	N/M	(17)	(2)	N/M
Gain/(loss) on disposal of fixed assets		-	2	(100%)	1	6	(83%)
Amortisation of intangible assets		(14)	(14)	0%	(43)	(43)	0%
(Allowance)/write-back on allowance for doubtful debts		-	-	N/M	(45)	27	N/M
Stock written back		(1)	-	N/M	15	1	N/M
Foreign exchange (loss)/gain	6	(132)	353	(137%)	(805)	280	(388%)

- 1) The decrease was largely due to lower scraps income from the Engineering & Construction "E&C" (formerly known as SSF) segment.
- 2) The dividend income mainly derived from investment in EVIA fund which in 2Q16 a special dividend was paid.
- 3) The higher interest in 3Q17 and 9M17 is due largely to under accrual of interest income from shareholder loan to an associate company.
- 4) The increase was mainly due to longer tenor of trust receipts placement.
- 5) The decrease was mainly due to more assets had been fully depreciated.
- 6) The increase in exchange loss was due to the depreciating USD against S\$ for the overseas projects and the depreciating M\$ against the S\$.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 Sep 2017 S\$'000	31 Dec 2016 S\$'000	30 Sep 2017 S\$'000	31 Dec 2016 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	66,594	42,793	7,892	8,399
Investment in subsidiary companies	-	-	54,347	54,347
Investments in associated companies	11,086	22,291	7,004	7,004
Financial assets, available-for-sale	19,711	19,711	17,135	17,135
Investment in joint ventures	61	6	-	-
Intangible assets	10	52	-	-
Goodwill	30,100	26,450	-	-
	<u>127,562</u>	<u>111,303</u>	<u>86,378</u>	<u>86,885</u>
Current Assets				
Stock and work-in-progress	19,831	9,941	238	429
Trade receivables	11,914	21,147	184	201
Amount due from subsidiaries	-	-	65,566	39,517
Amount due from joint ventures	-	328	-	-
Other receivables and prepayments	34,845	31,888	8,186	17,727
Loan receivables from joint ventures	2,676	2,633	-	-
Loan receivables from an associated company	-	600	-	-
Fixed deposits	46,000	51,000	46,000	51,000
Cash and bank balances	12,973	19,792	685	3,787
	<u>128,239</u>	<u>137,329</u>	<u>120,859</u>	<u>112,661</u>
Total Assets	255,801	248,632	207,237	199,546
LIABILITIES				
Current Liabilities				
Trade payables and accruals	8,873	12,311	1,104	1,722
Other payables	6,395	4,397	293	263
Amount due to subsidiaries	-	-	14,273	4,980
Term loans	3,018	18	-	-
Other amounts due to bankers	2,953	5,314	-	-
Amount due to non-controlling interest	4,049	-	-	-
Finance leases	116	103	-	-
Provision for taxation	576	528	-	-
	<u>25,980</u>	<u>22,671</u>	<u>15,670</u>	<u>6,965</u>
Non-current Liabilities				
Term loans	12,593	3,840	-	-
Finance leases	128	278	-	-
Deferred taxation	1,753	2,015	633	633
	<u>14,474</u>	<u>6,133</u>	<u>633</u>	<u>633</u>
Total Liabilities	40,454	28,804	16,303	7,598
EQUITY				
Share capital	160,636	160,636	160,636	160,636
Treasury shares	(5,003)	(5,003)	(5,003)	(5,003)
Asset revaluation reserve	1,748	1,748	2,874	2,874
Foreign currency translation reserve	582	897	-	-
Other reserve	-	-	3,297	3,297
Revenue reserve	53,558	59,499	29,130	30,144
	<u>211,521</u>	<u>217,777</u>	<u>190,934</u>	<u>191,948</u>
Non-controlling interests	3,826	2,051	-	-
Total Equity	215,347	219,828	190,934	191,948
Total Liabilities and Equity	255,801	248,632	207,237	199,546

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	30-Sep-17 S\$'000	31-Dec-16 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	6,087	5,435
Unsecured	-	-
	6,087	5,435
Amount Repayable after one year, or on demand		
Secured	12,721	4,118
Unsecured	-	-
	12,721	4,118

Details of any collateral

The credit facilities of the Group were secured by the following:

- i) A mortgage in-escrow and deed of assignment over 81 Tuas South Street 5 for the Company's banking facility (including foreign exchange spot and forward) of approximately S\$19.0 million.
- ii) A mortgage in-escrow and deed of assignment over 19 Tuas Avenue 20, corporate guarantee of S\$29.68 million by the Company and Corporate guarantee of S\$5 million by Hetat Engineering Construction Sdn Bhd for banking facilities (including foreign exchange spot and forward) extended to Hetat Pte Ltd of approximately S\$33.18 million;
- iii) A mortgage in-escrow and deed of assignment over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu. Daerah Pontian, Johor, Malaysia, corporate guarantee by the Company of S\$9.46 million and RM1.30 million for banking facility of approximately S\$9.46 million and RM5.30 million (including foreign exchange spot and forward).
- iv) A corporate guarantee for S\$5.75 million by the Company for banking facility extended to Sinenergy Holdings Pte Ltd of approximately S\$5 million.
- v) A joint corporate guarantee of S\$3 million by the Company and GEP Asia Holdings Pte Ltd in the ratio of 51% and 49% for banking facilities extended to Eastern Tankstore (S) Pte Ltd of approximately S\$3 million.
- vi) A corporate guarantee of US\$1.3 million for banking facilities extended to Aenergy Holdings Company Limited of approximately US\$5.2 million.
- vii) Fixed assets under hire purchase arrangements.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Operating Activities				
(Loss)/profit before income tax from continuing operations	(2,374)	1,333	(5,346)	1,889
Profit before income tax from discontinued operations	8	169	192	7,725
(Loss)/profit before income tax, total	(2,366)	1,502	(5,154)	9,614
Adjustments for:				
Depreciation	752	726	2,168	2,287
Fixed assets written off	16	1	17	2
Amortisation of intangible assets	14	14	43	43
(Gain)/loss on disposal of fixed assets	-	(2)	(1)	(6)
Interest on borrowings	29	28	102	95
Interest income	(615)	(226)	(879)	(736)
Share of (profit)/loss of joint ventures	(28)	3	(55)	3
Share of loss/(profit) of associated companies	52	(38)	315	(368)
Gain on disposal of subsidiary	-	(169)	-	(7,725)
Allowance/(write back) for doubtful debts	-	-	45	(27)
Allowance for inventory obsolescence	(7)	-	(194)	-
Dividend income	-	-	(98)	(334)
Inventories written off/(written back)	1	-	(15)	(1)
Net foreign currency translation adjustments	(547)	(275)	(566)	(252)
Operating cash flow before working capital changes	(2,699)	1,564	(4,272)	2,595
Changes in working capital				
Inventories and work-in-progress	(5,509)	(2,766)	(10,307)	(3,268)
Receivables	(9,477)	5,500	5,645	(687)
Payables	1,445	(1,426)	(1,491)	(6,012)
Cash (used in)/generated from operations	(16,240)	2,872	(10,425)	(7,372)
Interest paid	(29)	(28)	(102)	(95)
Interest received	615	226	879	736
Income tax payment	(45)	(127)	(4)	(226)
Net cash (used in)/generated from operating activities	(15,699)	2,943	(9,652)	(6,957)
Cash Flows from Investing Activities				
Dividend received from investment and associates	12,000	-	12,098	334
Purchase of property, plant and equipment	(5,318)	(5,437)	(20,726)	(10,624)
Proceeds from disposal of property, plant and equipment	-	(4)	1	236
Net cash inflow on disposal of subsidiary (discontinued operations)	-	169	-	7,725
Investment in a joint venture	(1,110)	-	(1,110)	(7)
Additional investment in associated company	-	(2,039)	-	(2,039)
Repayment from a joint venture	303	-	286	-
Repayment from an associated company	600	-	600	-
Cashflow on acquisition of subsidiary (net of cash)	-	-	(5,836)	-
Net cash (used in)/generated from investing activities	6,475	(7,311)	(14,687)	(4,375)
Cash Flows from Financing Activities				
Net proceeds from issue of shares	-	-	-	16,906
Purchase of treasury shares	-	-	-	(1,777)
Dividends paid	-	-	(1,713)	(27,741)
Fixed deposit discharge with bank	-	-	-	1,200
Fund repayment to hire purchase	(37)	(52)	(137)	(165)
Drawdown/(repayment) to term loan	3,006	-	11,753	(150)
Repayment of trusts receipts	(2,353)	1,391	(2,361)	(1,194)
Capital contribution from non-controlling interest	(36)	-	1,160	107
Shareholder loan from non-controlling interest	3,239	-	4,049	-
Net cash generated from/(used in) financing activities	3,819	1,339	12,751	(12,814)
Net foreign currency translation adjustments	(58)	(93)	(231)	(84)
Net decrease in cash and cash equivalents	(5,463)	(3,122)	(11,819)	(24,230)
Cash and cash equivalents at the beginning of the period	64,436	81,447	70,792	102,555
Cash and cash equivalents at the end of the period	58,973	78,325	58,973	78,325

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital S\$'000	Treasury Share S\$'000	Revaluation Reserve S\$'000	Other Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Revenue Reserve S\$'000	Total S\$'000	Non-controlling Interests S\$'000	Total Equity S\$'000
Group									
Balance at 01 January 2017	160,636	(5,003)	1,748	-	897	59,499	217,777	2,051	219,828
Comprehensive income	-	-	-	-	(315)	(4,228)	(4,543)	(943)	(5,486)
Acquisition of subsidiary	-	-	-	-	-	-	-	1,558	1,558
Dividends paid	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	1,160	1,160
Balance at 30 Sep 2017	160,636	(5,003)	1,748	-	582	53,558	211,521	3,826	215,347
Balance at 01 January 2016	143,730	(3,226)	1,748	-	1,400	75,450	219,102	849	219,951
Comprehensive income	-	-	-	-	(336)	9,727	9,391	(12)	9,379
Exercise of warrants	16,906	-	-	-	-	-	16,906	-	16,906
Dividends paid	-	-	-	-	-	(27,741)	(27,741)	-	(27,741)
Share buy-back	-	(1,777)	-	-	-	-	(1,777)	-	(1,777)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	107	107
Balance at 30 Sep 2016	160,636	(5,003)	1,748	-	1,064	57,436	215,881	944	216,825
Company									
Balance at 01 January 2017	160,636	(5,003)	2,874	3,297	-	30,144	191,948	-	191,948
Comprehensive income	-	-	-	-	-	699	699	-	699
Dividends paid	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Balance at 30 Sep 2017	160,636	(5,003)	2,874	3,297	-	29,130	190,934	-	190,934
Balance at 01 January 2016	143,730	(3,226)	2,874	3,297	-	50,794	197,469	-	197,469
Comprehensive income	-	-	-	-	-	7,379	7,379	-	7,379
Share buyback	-	(1,777)	-	-	-	-	(1,777)	-	(1,777)
Exercise of warrants	16,906	-	-	-	-	-	16,906	-	16,906
Dividends paid	-	-	-	-	-	(27,741)	(27,741)	-	(27,741)
Balance at 30 Sep 2016	160,636	(5,003)	2,874	3,297	-	30,432	192,236	-	192,236

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Details of the changes in the share capital of the Company are as follows: -

	2017		2016	
	Number of shares	\$	Number of shares	\$
Ordinary shares				
As at beginning of financial year	710,618,161	160,636,116	626,087,386	143,729,961
Exercise of warrants	551	110	84,530,775	16,906,155
As at 30 Sep	710,618,712	160,636,226	710,618,161	160,636,116
Treasury shares				
As at beginning of financial year	25,490,900	5,003,269	17,100,000	3,225,724
Share buy-back	-	-	8,390,900	1,777,545
As at 30 Sep	25,490,900	5,003,269	25,490,900	5,003,269
Total shares excluding treasury shares as at 30 Sep	685,127,812	155,632,957	685,127,261	155,632,847

Pursuant to announcements made on 18 December 2014, 303,641,586 Warrants were issued on 17 December 2014, and listed and quoted on the Mainboard of SGX-ST with effect from 19 December 2014 at an exercise price of SGD0.20. The Warrants have a 5-year exercise period from the date of issue and it will expire on 17 December 2019.

At the end of the financial period, the unissued ordinary shares of the Company under warrants were 218,584,052.

There were no subsidiary holdings as at 30 Sep 2017 and 30 Sep 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30-Sep-17	31-Dec-16
Total number of shares (including treasury shares)	710,618,712	710,618,161
Less treasury shares	(25,490,900)	(25,490,900)
Total number of shares (excluding treasury shares)	685,127,812	685,127,261

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There are no sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been reviewed nor audited by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report including any qualifications or emphasis of matter

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

None.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	3 months ended 30 Sep 2017	2016	9 months ended 30 Sep 2017	2016
Continuing Operations				
(Loss)/profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic	(0.33) cents	0.21 cents	(0.67) cents	0.31 cents
-Diluted	(0.32) cents	0.20 cents	(0.65) cents	0.29 cents
Based on the weighted average number of shares (Basic)	662,109,828	642,970,762	662,109,828	642,970,762
Based on the weighted average number of shares (Diluted)	683,081,121	679,959,046	683,081,121	679,959,046

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	GROUP		COMPANY	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Net asset backing per ordinary share	30.87 cents	31.79 cents	27.87 cents	28.02 cents
Based on the number of shares in issue, excluding treasury shares	685,127,812	685,127,261	685,127,812	685,127,261

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

For the third quarter ended 30 September 2017 ("3Q17"), the Group recorded a 19% decrease in revenue from continuing operations to S\$9.9 million and a net loss attributable to equity holders of S\$2.2 million. This compares with a net profit attributable to equity holders of S\$1.3 million a year ago.

For the nine months ended 30 September 2017 ("9M17"), the Group recorded a 34% decrease in revenue from continuing operations to S\$25.7 million and a net loss attributable to equity holders of S\$4.4 million. This compares with a net profit attributable to equity holders of S\$2 million a year ago. Profit from discontinued operations after tax in 9M16 of S\$7.7 million relates to the post completion payment adjustment received from the acquirer Brenntag for the disposal of the Refine Petroleum Business segment.

As at 30 September 2017, the Group's total equity was S\$211.5 million down from S\$217.8 million as at 31 December 2016. The Group has cash and cash equivalent balance of S\$59 million. The Group is in a net cash position with low debt-to-total equity ratio of 8.9%².

Revenue from Continuing Operations

S\$'000	3Q17	3Q16	%	9M17	9M16	%
Corrosion Prevention ("CP")	3,127	3,792	(18%)	8,439	14,207	(41%)
Engineering & Construction ("E&C")	6,552	7,661	(14%)	16,218	23,150	(30%)
Solar Energy	43	482	(91%)	423	628	(33%)
Others	182	265	(31%)	573	858	(33%)
Total	9,904	12,200	(19%)	25,653	38,843	(34%)

The Group's revenue contracted 19% to S\$ 9.9 million in 3Q17, compared with S\$ 12.2 million in the previous corresponding period. For 9M17, the Group's revenue fell 34% to S\$ 25.7million from S\$ 38.8 million in 9M16.

CP segment

Revenue for CP segment tumbled 18% to S\$3.1 million in 3Q17 from S\$3.8 million in 3Q16. For 9M17, revenue decreased to S\$8.4 million, from S\$14.2 million in 9M16. The depressed marine, offshore, oil and gas sectors intensified in 3Q17 resulting in fewer demand for our CP services. At current levels, the CP operations in particular its factory operations is operating below breakeven utilization.

² Debt to total equity ratio is computed based on Group's total debts / total equity

E&C (formerly known as Structure Steel & Engineering) segment

With the inclusion of the newly acquired modular construction business into the Group's steel engineering business the Group's Structural Steel & Engineering segment ("SSF") has been renamed Engineering & Construction ("EC") segment to better reflect the scope of works and services performed by this segment.

Revenue for the EC segment decreased 14% year-on-year to S\$6.6 million in 3Q17 from S\$7.7 million in 3Q16 and decreased 30% year-on-year in 9M17 from S\$23.2 million to S\$16.2 million due to timing as projects on hand for the structural steel business were delayed, adversely affecting the revenue to be recognized and pushed up its costs. Fewer orders as the Singapore construction sector slowed considerably also affected the segment's revenue. For the newly acquired modular construction business, as the projects currently on hand are a design and build contract, revenue is only recognized when the project is commissioned and fully handed over to the owners. These projects are currently still progressing in line with expected margins but as explained the contribution are not recognized in the income statement until the completion of the contracts.

Solar Energy segment

Revenue for the Group's new Solar Energy segment reflects the income contributed from for 2H17 has been delayed to 4Q17 or first half of 2018.

Gross Profit and Gross Margin

Gross Profit from Continuing Operations

S\$'000	3Q17	3Q16	%	9M17	9M16	%
CP	274	1,239	(78%)	1,109	4,091	(73%)
E&C	534	2,201	(76%)	3,377	5,047	(33%)
Solar	(91)	98	n/m	(207)	34	n/m
Others	51	111	(53%)	176	371	(52%)
Total	768	3,649	(79%)	4,455	9,543	(53%)

For 3Q17, the Group's gross profit decreased 79% year-on-year to S\$0.77 million, compared with S\$3.6 million in 3Q16. The decrease was mainly due to the lower revenue of both the CP and the E&C segments as discussed above and costs over-runs incurred in a couple of structural steel projects under the E&C segment. As a result, the Group's gross margin fell substantially from 29.9% in 3Q16 to 7.7% in 3Q17.

For 9M17, the Group's gross profit decreased by 53% to S\$4.5 million from S\$9.5 million. Gross margin decreases from 24.6% to 17.4% due to the depressed 3Q17 gross profit explained above.

CP segment

CP segment's gross profit dipped significantly to S\$0.3 million in 3Q17 from S\$1.2 million in 3Q16, on the back of the continuing slump in revenue and pricing pressures especially for the factory operations which are operating below breakeven utilization. For 9M17, gross profit decreased to S\$1.1 million from S\$4.1 million. The underutilization of the factory capacity and equipment and pricing pressures resulted in gross margin decreasing to 13.1% from 28.8% a year ago.

E&C segment

E&C segment's gross profit dipped significantly to S\$0.5 million in 3Q17 from S\$2.2 million in 3Q16 on the back of drop in revenue due to delay in timing of the delivery of projects, fewer projects from the lackluster construction sector and costs over-runs on a

couple of structural steel projects. As a result, gross margin dipped significantly to 8.1% from 28.7% a year earlier. For 9M17, gross profit for E&C segment fell 33% to S\$3.4m against S\$5 million a year earlier driven by the dismal gross profit in 3Q17 explained above.

Solar Energy segment

The Solar Energy segment continues to report a gross loss as it is still at its development phase coupled with projects earlier secured had been delayed to 4Q17 and into 2018.

Other Income

Other income decreased by 9% to S\$ 0.72 million in 3Q17 due to lower scrap income from the E&C segment. It decreased 35% year-on-year from S\$ 2.1 million in 9M16 to S\$ 1.3 million in 9M17 mainly due to lower scrap income from the E&C segment, lower dividend income from the absence of a one-off special dividend received from the EVIA Korean Fund investment in 2Q16 and exchange gain registered in 2016.

Selling, Distribution, Administrative and Other Operating Expenses

S\$'000	3Q17	3Q16	Change	9M17	9M16	Change
Selling & Distribution	(317)	(143)	122%	(592)	(493)	20%
Admin	(2,196)	(2,028)	8%	(6,228)	(6,576)	(5%)
Other OPEX	(1,293)	(942)	37%	(3,955)	(2,909)	36%
Total OPEX	(3,806)	(3,113)	22%	(10,775)	(9,978)	8%

Total operating expenses increased 22% in 3Q17 and increased 8% in 9M17. The increase in selling and distribution expenses for the quarter and nine months 2017 is due primarily to the inclusion of modular construction business acquired in early February 2017 whose projects are mainly in overseas markets. Administrative expenses increased 8% in 3Q17 due to the inclusion of the modular construction business. It decreased 5% in 9M17 despite the inclusion of the modular construction business due to the Group's continuing cost rationalization efforts during the year in the light of slow business activities of its CP and structural steel business. Other OPEX increased 37% in 3Q17 and increased 36% in 9M17 due to the inclusion of the modular construction business and foreign exchange loss incurred on the depreciating USD against the S\$ for the overseas projects and the depreciating M\$ against the S\$ incurred by the E&C and Solar segments.

Share of Associates' Results

Share of loss of associated companies came in at S\$52,000 in 3Q17 compared with a profit of S\$35,000 a year ago as gains from the Heron Bay project was recognized largely in 2015 and 2016 and the mini-hydro power projects of Aenergy is still at its development stage. Share of loss of associated companies for 9M2017 was S\$315,000 against a profit of S\$365,000 as the final 2 units from the Heron Bay project was disposed at a loss in 1Q17 as reported in earlier quarter.

Financial Position and Cash Flow Analysis

Non-current assets increased S\$16.3 million from S\$111.3 million as at 31 December 2016 to S\$127.6 million as at 30 September 2017. This was mainly due to:

- a) Increase in fixed assets of S\$23.8 million arising largely from the redevelopment of the Hetat plant at 19 Tuas Avenue 20; the consolidation of fixed assets of newly acquired TLC JSC Vietnam of S\$5.1 million; addition of S\$10.1 million from Solar

segment for the progressively acquisition of land for the Bangladesh solar project less the depreciation of Property, plant and equipment charged to the income statement in the nine months of S\$2.2 million;

- b) Increase of S\$3.6 million in Goodwill arising from the acquisition of TLC JSC Vietnam in February 2017;
- c) Offset partially by decrease in Investment in Associate from dividend received for the Heron Bay Executive Condominium project of S\$12 million less the investment of S\$1.1 million in Yokomori Singapore Pte Ltd for a 30% equity interest.

Current assets decreased S\$9.1 million from S\$137.3 million as at 31 December 2016 to S\$128.24 million as at 30 September 2017. This was mainly due to:

- a) Lower cash and cash equivalents of S\$11.8 million from fixed assets increase of S\$20.7 million arising from the redevelopment of the Hetat factory and acquisition of land for the solar project in Bangladesh partially financed from term loan increased of S\$11.7 million ; acquisition of modular business of TLC JSC in Vietnam of S\$5.8 million ; settlement of accrued expenses and payables of S\$1.5 million and funding the year to date operating loss offset by improved collections from trade receivables; the receipt of S\$10 million held previously in escrow from the sale of the RP business and S\$12 million from dividend from associate company for the Heron Bay EC project;
- b) Lower trade receivables of S\$9.2 million from collections of receivables and lower revenue for the 9M17;
- c) Higher other receivables of S\$3.0 million from the receipt of escrow monies of \$10 million previously held for the sale of the RP business and repayment of shareholder loans received from an associate company S\$1.8 million less progress payments made for the Bangladesh solar project of S\$15 million for solar panels acquired;
- d) Increase in stocks and work in progress of \$9.9 million largely from the E&C segment in relation to the works in progress for the projects on hand.

Current liabilities of the Group increased S\$3.3 million from S\$22.7 million as at 31 December 2016 to S\$26.0 million as at 30 September 2017. This was mainly due to:

- a) Lower trade payables and accruals of S\$3.4 million from settlement of dues to subcontractors, trade creditors and payment of accrued expenses relating to year-end staff related expenses;
- b) Increase in other payables of S\$1.9 million from the amount held in escrow for the profit warranty arising from the acquisition of the modular business and advance deposits from lease rental;
- c) Increase in term loan from the drawdown of revolving credit line to repay trust receipts due to banks and;
- d) Increase of amount due to Non-Controlling Interests of S\$4 million for its share of the Bangladesh's solar project under development.

Non-current liabilities of the Group increased S\$8.4 million as at 30 September 2017 due largely to secured term loans drawdown by the E&C segment of S\$8.7 million in relation to the redevelopment of the Hetat factory.

Shareholders' equity decreased to S\$211.5 million as at 30 September 2017 from S\$217.8 million as at 31 December 2016. The decrease was largely attributed to the loss for the nine months in 2017.

Non-controlling interests of S\$3.8 million relates to the minority interests portion of Solar Energy segment and the newly acquired subsidiary of TLC JSC Vietnam.

During 9M17, the Group recorded a net cash outflow inflow of S\$9.7 million from operating activities after using S\$10.4 million for changes in working capital largely driven by working capital used for the modular construction and solar projects currently in progress.

Net cash used in investing activities amounted to S\$14.7 million in 9M17 mainly due to the construction in progress arising from the plant redevelopment of Hetat factory; the purchase of land in Bangladesh for the Solar Energy segment and the payment in relation to the acquisition of TLC JSC in Vietnam offset partially by the S\$12 million dividend receive from its associate company for the Heron Bay EC project.

Net cash generated from financing activities in 9M17 was S\$12.7 million derived from drawdown of bank loans for the redevelopment of Hetat factory. After taking into account net foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$11.8 million to S\$59 million for 9M17.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The current announced results are in line with the prospect commentary previously disclosed to shareholders in the results announcement for the period ended 30 June 2017.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As earlier guided in previous announcements, the business landscape for FY17 continues to remain challenging in the face of domestic and global economic volatility, heightening competition and depressed oil prices that will continue to impact the Group's operating performance.

On the back of a weakened prospect of the construction sector, the Group's construction and infrastructure segment is facing margin pressure in an increasingly competitive industry. Management continues to take appropriate action to stay efficient and remain nimble in this difficult trading condition and have taking steps to move into modular construction and explore overseas for growth in this segment. Whilst management sees potential in the modular construction segment and significant efforts have been made to develop its competencies in this segment, the results of the segment can only be seen in 2018 when the modular products are being delivered.

Management expects that the current marine, offshore and oil & gas sector to remain depressed. This had and will continue to impact on the Group's corrosion prevention business. The Group will continue its cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure while it focuses on expanding and diversifying its customer base.

For the Group's solar energy segment, the Group will focus on developing the 50MW Bangladesh project and target to commission the project in the second half of 2018 and at the same time seek to secure new orders for roof-top solar projects.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the current financial period.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect,

There were no interested person transactions during the three months ended 30 September 2017. For the 9 month ended 30 September 2017, there were twenty-five interested person transactions totalling S\$377,000. This represents 0.17% of the Group's audited net tangible asset as at 31 December 2016. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

14. Confirmation Pursuant to Rule 705(5) of the Listing Manual

We, Ng Han Kok, Henry and Goh Koon Seng being two directors of SHS Holdings Ltd. (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 3Q17 financial statements to be false or misleading in any material respect.

15. Undertaking from Directors and Executive Officers pursuant to Rule 720(1) of the SGX Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Group CEO
9 November 2017