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

**Unaudited Financial Statement Announcement for the Second Quarter 2018**

**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 June | | | Group 6 months ended 30 June | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| | S$'000 | S$'000 | % | S$'000 | S$'000 | % |
| **Continuing Operations** | | | | | | |
| Revenue | 8,520 | 9,769 | (13%) | 21,874 | 15,749 | 39% |
| Cost of sales and services | (7,234) | (7,699) | (6%) | (18,745) | (12,062) | 55% |
| **Gross profit** | 1,286 | 2,070 | (38%) | 3,129 | 3,687 | (15%) |
| Other income | 830 | 337 | 146% | 1,266 | 619 | 105% |
| Selling and distribution expenses | (388) | (144) | 169% | (569) | (275) | 107% |
| Administrative expenses | (2,313) | (2,230) | 4% | (3,800) | (4,032) | (6%) |
| Other operating expenses | (806) | (1,214) | (34%) | (2,843) | (2,661) | 7% |
| **Loss from operations** | (1,391) | (1,181) | 18% | (2,817) | (2,662) | 6% |
| Finance costs | (160) | (38) | 321% | (206) | (73) | 182% |
| Share of profit/(loss) of associated companies | 169 | (77) | N/M | 123 | (263) | N/M |
| Share of profit of joint ventures | 23 | 19 | 23% | 58 | 27 | N/M |
| **Loss before income tax** | (1,359) | (1,277) | 6% | (2,842) | (2,971) | (4%) |
| Income tax | 2 | 71 | (97%) | 7 | 157 | (96%) |
| **Loss from continuing operations after tax** | (1,357) | (1,206) | 13% | (2,835) | (2,814) | 1% |
| **Discontinued operations #** | | | | | | |
| Profit from discontinued operations after tax | - | 13 | (100%) | 101 | 184 | N/M |
| **Loss after income tax** | (1,357) | (1,193) | 14% | (2,734) | (2,630) | 4% |
| **Attributable to:** | | | | | | |
| Equity holders of the Company | | | | | | |
| - Continuing Operations | (752) | (926) | (19%) | (2,011) | (2,247) | (11%) |
| - Discontinued Operations | - | 13 | (100%) | 101 | 184 | (45%) |
| | (752) | (913) | (18%) | (1,910) | (2,063) | (7%) |
| Non-controlling interests, net of income tax | | | | | | |
| - Continuing Operations | (605) | (280) | 116% | (824) | (567) | 45% |
| - Discontinued Operations | - | - | N/M | - | - | N/M |
| | (605) | (280) | 116% | (824) | (567) | N/M |
| | (1,357) | (1,193) | 14% | (2,734) | (2,630) | 4% |

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

## Statement of Comprehensive Income

| | Group 3 months ended 30 June | | | Group 6 months ended 30 June | | |
|---|---|---|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | Change % | 2018 S$'000 | 2017 S$'000 | Change % |
| Loss after income tax | (1,357) | (1,193) | 14% | (2,734) | (2,630) | 4% |
| Other comprehensive (expense)/ income | | | | | | |
| Foreign currency translation | 393 | 194 | 103% | (509) | (191) | 167% |
| | 393 | 194 | 103% | (509) | (191) | 167% |
| Total comprehensive loss | (964) | (999) | (4%) | (3,243) | (2,821) | 15% |
| Attributable to: | | | | | | |
| Equity holders of the Company | (408) | (739) | (45%) | (2,228) | (2,212) | 1% |
| Non-controlling interests, net of income tax | (556) | (260) | 114% | (1,015) | (609) | 67% |
| | (964) | (999) | (3%) | (3,243) | (2,821) | 15% |

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

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

| | | Group 3 months ended 30 June | | | Group 6 months ended 30 June | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 S$'000 | 2017 S$'000 | Change % | 2018 S$'000 | 2017 S$'000 | Change % |
| Other Income | 1 | 601 | 121 | 397% | 962 | 256 | 276% |
| Dividend income | | 66 | 98 | (33%) | 66 | 98 | (33%) |
| Interest Income | 2 | 100 | 133 | (25%) | 184 | 264 | (30%) |
| Interest on borrowings | 3 | (114) | (38) | 200% | (160) | (73) | 119% |
| Depreciation | 4 | (1,009) | (672) | 50% | (2,415) | (1,416) | 71% |
| Fixed assets written off | | (6) | (1) | N/M | (7) | (1) | N/M |
| (Loss)/gain on disposal of fixed assets | 5 | (17) | 1 | (1800%) | (26) | 1 | (2700%) |
| Amortisation of intangible assets | | - | (15) | (100%) | - | (29) | (100%) |
| (Allowance)/write-back on allowance for doubtful debts | | - | (45) | N/M | - | (45) | N/M |
| Foreign exchange gain/(loss) | 6 | 855 | (97) | (981%) | 80 | (673) | (112%) |

1) The increase was largely due to higher rental and service income from E&C Segment and wages credit scheme & PIC cash payout from CP Segment.
2) The decrease was largely due to lower surplus cash for fixed deposit placement and lower interest yield.
3) The increase was mainly due to higher borrowings for the development of the Hetat's factory and office building.
4) The increase was mainly due to depreciation charge for Hetat's new factory and office building.
5) The loss on disposal mainly due to old asset sold at scrapped value.
6) The increase in exchange gain was mainly due to unrealized exchange gain from the appreciation of the US$ as compared to last year.

## 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 Jun 2018 S$'000 | 31 Dec 2017 S$'000 | 30 Jun 2018 S$'000 | 31 Dec 2017 S$'000 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 73,968 | 75,408 | 13,980 | 14,599 |
| Land held for development | 6,410 | - | - | - |
| Investment in subsidiary companies | - | - | 54,347 | 54,347 |
| Investments in associated companies | 9,453 | 9,330 | 7,004 | 7,004 |
| Financial assets, available-for-sale | 19,388 | 19,711 | 17,135 | 17,135 |
| Investment in joint ventures | - | 102 | - | - |
| Goodwill | 20,501 | 20,501 | - | - |
| Other receivable and prepayments | 17,680 | 16,541 | - | - |
| Prepaid land lease | 3,721 | 3,752 | - | - |
| | 151,121 | 145,345 | 92,466 | 93,085 |
| **Current Assets** | | | | |
| Prepaid land lease | 114 | 189 | - | - |
| Inventories and work-in-progress | 20,185 | 20,483 | - | - |
| Trade receivables | 11,210 | 14,716 | 283 | 433 |
| Amount due from subsidiaries | - | - | 80,016 | 72,432 |
| Other receivables and prepayments | 18,131 | 21,473 | 8,135 | 7,980 |
| Loan receivale from joint ventures | - | 2,276 | - | - |
| Fixed deposits | 26,008 | 35,000 | 26,008 | 35,000 |
| Cash and bank balances | 17,929 | 14,107 | 3,244 | 2,670 |
| | 93,577 | 108,244 | 117,686 | 118,515 |
| **Total Assets** | **244,698** | **253,589** | **210,152** | **211,600** |
| **LIABILITIES** | | | | |
| **Current Liabilities** | | | | |
| Trade payables and accruals | 8,759 | 11,928 | 405 | 982 |
| Other payables | 6,123 | 10,005 | 299 | 310 |
| Amount due to related parties | - | - | 900 | 83 |
| Term loans | 15,316 | 13,050 | - | - |
| Other amounts due to associates | 1,851 | 1,029 | - | - |
| Other amounts due to bankers | 3,551 | 2,927 | - | - |
| Hire purchase creditors | 39 | 79 | - | - |
| Provision for taxation | 617 | 811 | - | - |
| | 36,256 | 39,829 | 1,604 | 1,375 |
| **Non-current Liabilities** | | | | |
| Term loans | 3,796 | 3,776 | - | - |
| Hire purchase creditors | 99 | 128 | - | - |
| Deferred taxation | 3,578 | 3,598 | 1,802 | 1,802 |
| | 7,473 | 7,502 | 1,802 | 1,802 |
| **Total Liabilities** | 43,729 | 47,331 | 3,406 | 3,177 |
| **EQUITY** | | | | |
| Share capital | 160,637 | 160,637 | 160,637 | 160,637 |
| Treasury shares | (5,003) | (5,003) | (5,003) | (5,003) |
| Asset revalution reserve | 7,456 | 7,456 | 8,582 | 8,582 |
| Foreign currency translation reserve | 353 | 671 | - | - |
| Other reserve | - | - | 3,297 | 3,297 |
| Revenue reserve | 36,279 | 39,559 | 39,233 | 40,910 |
| | 199,722 | 203,320 | 206,746 | 208,423 |
| Non-controlling interests | 1,247 | 2,938 | - | - |
| **Total Equity** | 200,969 | 206,258 | 206,746 | 208,423 |
| **Total Liabilities and Equity** | **244,698** | **253,589** | **210,152** | **211,600** |

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

| | 30-Jun-18 S$'000 | 31-Dec-17 S$'000 |
|---|---|---|
| **Amount Repayable in one year or less, or on demand** | | |
| Secured | 18,906 | 16,056 |
| Unsecured | - | - |
| | 18,906 | 16,056 |
| **Amount Repayable after one year, or on demand** | | |
| Secured | 3,895 | 3,904 |
| Unsecured | - | - |
| | 3,895 | 3,904 |

### 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, and a mortgage in-escrow and deed of assignment over 19 Tuas Avenue 20, corporate guarantee of S$41.10 million by the Company extended to Hetat Pte Ltd for banking facilities of approximately S$23.68 million and US$12 million;

ii) 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 $$9.46million and RM1.30 million for banking facility of approximately S$3.99 million and RM5.30 million (including foreign exchange spot and forward).

iii) 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.

iv) A corporate guarantee of US$1.3 million for banking facilities extended to Aenergy Holdings Company Limited of approximately US$5.2 million.

v) 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 June | | 6 months ended 30 June | |
| | 2018 | 2017 | 2018 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Cash Flows from Operating Activities** | | | | |
| Loss before income tax from continuing operations | (1,359) | (1,277) | (2,842) | (2,971) |
| Profit before income tax from discontinued operations | (0) | 13 | 101 | 184 |
| Loss before income tax, total | (1,359) | (1,264) | (2,741) | (2,788) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipments | 1,010 | 672 | 2,416 | 1,416 |
| Property, plant and equipment written off | 6 | 1 | 7 | 1 |
| Amortisation of intangible assets | 43 | 15 | 43 | 29 |
| (Loss)/gain on disposal of property, plant and equipments | 17 | (1) | 26 | (17) |
| Interest on borrowings | 160 | 38 | 206 | 73 |
| Interest income | (100) | (133) | (184) | (264) |
| Share of profit of joint ventures | (24) | (19) | (58) | (27) |
| Share of loss of associated companies | (168) | 77 | (123) | 263 |
| Gain on disposal of joint ventures | (238) | - | (238) | - |
| Allowance/(reversal) for doubtful debts | (20) | 45 | (20) | 45 |
| Write-back on alllowance for inventory obsolescence | - | (16) | - | (187) |
| Dividend income | (66) | (98) | (66) | (98) |
| Inventories written back | (6) | 2 | (107) | - |
| Net foreign currency translation adjustments | 56 | 212 | 280 | (19) |
| Operating cash flow before working capital changes | (689) | (469) | (559) | (1,573) |
| Changes in working capital | | | | |
| Inventories and work-in-progress | (649) | (1,592) | 50 | (4,799) |
| Receivables | 2,729 | (1,092) | 3,916 | 15,124 |
| Payables | (260) | 745 | (5,096) | (2,936) |
| Cash (used in)/generated from operations | 1,131 | (2,408) | (1,689) | 5,816 |
| Interest paid | (160) | (38) | (206) | (73) |
| Interest received | 100 | 133 | 184 | 264 |
| Income tax (payment)/refund | (38) | (4) | (207) | 41 |
| **Net cash (used in)/generated from operating activities** | 1,033 | (2,317) | (1,918) | 6,048 |
| **Cash Flows from Investing Activities** | | | | |
| Dividend received | 66 | 98 | 66 | 98 |
| Purchase of property, plant and equipment | (358) | (7,429) | (1,605) | (15,408) |
| Proceeds from disposal of property, plant and equipment | - | 23 | - | 23 |
| Purchase of land held for development | (0) | - | (6,410) | - |
| Loan repayment by Joint Venture | 2,683 | (17) | 2,681 | (39) |
| Reduction of other investment | 323 | - | 323 | - |
| Cashflow on acquisition of subsidiary (net of cash) | - | - | - | (5,836) |
| **Net cash used in investing activities** | 2,714 | (7,325) | (4,945) | (21,162) |
| **Cash Flows from Financing Activities** | | | | |
| Dividends paid | (1,370) | (1,713) | (1,370) | (1,713) |
| Fund repayment to hire purchase | (32) | (50) | (69) | (100) |
| Drawdown of term loan | (343) | 7,209 | 2,286 | 8,747 |
| (Repayment)/drawdown of trusts receipts | 668 | (301) | 624 | (8) |
| (Acquisition)/capital contribution from non-controlling interest | (676) | (56) | (676) | 1,196 |
| Amount due to associates | - | 810 | 822 | 810 |
| **Net cash generated from financing activities** | (1,077) | 5,899 | 1,617 | 8,932 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 144 | (26) | 76 | (173) |
| **Net decrease in cash and cash equivalents** | 2,814 | (3,769) | (5,170) | (6,355) |
| **Cash and cash equivalents at the beginning of the period** | 41,123 | 68,206 | 49,107 | 70,792 |
| **Cash and cash equivalents at the end of the period** | 43,937 | 64,437 | 43,937 | 64,437 |

## 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 2018** | 160,637 | (5,003) | 7,456 | - | 671 | 39,559 | 203,320 | 2,938 | 206,258 |
| Comprehensive income | - | - | - | - | (318) | (1,910) | (2,228) | (1,015) | (3,243) |
| Acquisition of non-controlling interest | | - | - | - | - | - | - | (676) | (676) |
| Dividends paid | - | - | - | - | - | (1,370) | (1,370) | - | (1,370) |
| **Balance at 30 June 2018** | 160,637 | (5,003) | 7,456 | - | 353 | 36,279 | 199,722 | 1,247 | 200,969 |
| **Balance at 01 January 2017** | 160,636 | (5,003) | 1,748 | - | 897 | 59,499 | 217,777 | 2,051 | 219,828 |
| Comprehensive income | - | - | - | - | (149) | (2,063) | (2,212) | (609) | (2,821) |
| Acquisition of subsidiary | - | - | - | - | - | - | - | 1,558 | 1,558 |
| Capital contribution by non-controlling interest | - | - | - | - | - | - | - | 1,196 | 1,196 |
| Dividends paid | - | - | - | - | - | (1,713) | (1,713) | - | (1,713) |
| **Balance at 30 June 2017** | 160,636 | (5,003) | 1,748 | - | 748 | 55,723 | 213,852 | 4,196 | 218,048 |
| **Company** | | | | | | | | | |
| **Balance at 01 January 2018** | 160,637 | (5,003) | 8,582 | 3,297 | - | 40,910 | 208,423 | - | 208,423 |
| Comprehensive income | - | - | - | - | - | (307) | (307) | - | (307) |
| Dividends paid | - | - | - | - | - | (1,370) | (1,370) | - | (1,370) |
| **Balance at 30 June 2018** | 160,637 | (5,003) | 8,582 | 3,297 | - | 39,233 | 206,746 | - | 206,746 |
| **Balance at 01 January 2017** | 160,636 | (5,003) | 2,874 | 3,297 | - | 30,144 | 191,948 | - | 191,948 |
| Comprehensive income | - | - | - | - | - | 368 | 368 | - | 368 |
| Dividends paid | - | - | - | - | - | (1,713) | (1,713) | - | (1,713) |
| **Balance at 30 June 2017** | 160,636 | (5,003) | 2,874 | 3,297 | - | 28,799 | 190,603 | - | 190,603 |

**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:-

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of shares | S$ | Number of shares | S$ |
| Ordinary shares | | | | |
| As at beginning of financial year | 710,620,712 | 160,636,626 | 710,618,161 | 160,636,116 |
| Exercise of warrants | - | - | - | - |
| As at 30 June | 710,620,712 | 160,636,626 | 710,618,161 | 160,636,116 |
| Treasury shares | | | | |
| As at beginning of financial year | 25,490,900 | 5,003,269 | 25,490,900 | 5,003,269 |
| Share buy-back | - | - | - | - |
| As at 30 June | 25,490,900 | 5,003,269 | 25,490,900 | 5,003,269 |
| Total shares excluding treasury shares as at 30 June | 685,129,812 | 155,633,357 | 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 excercise 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 218,582,052.

There were no subsidiary holdings as at 30 June 2018 and 30 June 2017.

**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-Jun-18 | 31-Dec-17 |
|---|---|---|
| Total number of shares (including treasury shares) | 710,620,712 | 710,620,712 |
| Less treasury shares | (25,490,900) | (25,490,900) |
| Total number of shares (excluding treasury shares) | 685,129,812 | 685,129,812 |

**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.**

Except as disclosed in paragraph 5 below, 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 2017.

**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**

The Group and Company have applied the same accounting policies and method of computation in the financial statements for current financial period consistent with those of the audited financial statements for year end 31 December 2017, except for the adoption of all applicable new and revised Singapore Financial Reporting Standards (International), ("SFRS (I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which becomes effective from annual periods beginning on or after 1 January 2018.

The application of the new and revised standards and interpretations has no material effect on the financial statements, except as decribed below:

a) SFRS (1) FRS 109

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies.

Based on the Group's initial assessment, the Group's unlisted equity investments classified as financial assets, available-for-sale can no longer be carried at cost but to be measured at fair value under FRS 109 using the framework within FRS 113 Fair Value Measurement; and the application of the expected credit loss model of FRS 109 may increase the amount of loss allowance recognised, but the Group does not expect any addition credit losses to be significant.

b) SFRS (1) FRS 115

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Based on the Group's initial assessment of its main source of revenue, the Group does not expect the adoption of FRS 115 to have a significant impact on the revenue recognition from construction contracts. The Group has specifically considered FRS 115's guidance on contract combinations, contract modifications arising from variation orders, variation consideration, and the assessment of whether there is a significant financing component in the contracts. The Group has assessed that revenue from these construction contracts should be recognised over time as the customer control the projects during the course of construction by the Group. Furthermore, the Group considers the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under FRS 115.

## 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 June | | 6 months ended 30 June | |
| | 2018 | 2017 | 2018 | 2017 |
| **Continuing Operations**<br>Loss per ordinary share for the financial year based on consolidated (loss)/profit attributable to members of the Company (Basic and diluted) | | | | |
| - Basic | (0.11) cents | (0.14) cents | (0.29) cents | (0.34) cents |
| -Diluted | (0.11) cents | (0.14) cents | (0.28) cents | (0.33) cents |
| Based on the weighted averge number of shares (Basic ) | 685,127,863 | 662,109,747 | 685,127,863 | 662,109,747 |
| Based on the weighted averge number of shares (Diluted) | 706,789,148 | 682,171,360 | 706,789,148 | 682,171,360 |

## 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 June 2018 | 31 Dec 2017 | 30 June 2018 | 31 Dec 2017 |
| Net asset backing per ordinary share | 29.17 cents | 29.68 cents | 30.18 cents | 30.41 cents |
| Based on the number of shares in issue, excluding treasury shares | 685,129,812 | 685,129,812 | 685,129,812 | 685,129,812 |

**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**

**2Q18 Overview**

For the second quarter ended 30 June 2018 ("**2Q18**"), the Group recorded a 13% drop in revenue to S$8.5 million and a net loss attributable to equity holders of S$752,000, 19% improvement over the loss of S$926,000 in 2Q17.

For the first half ended 30 June 2018 ("1H18"), the Group recorded a 39% jumped in revenue to S$21.9 million and a net loss attributable to equity holders of S$2.0 million. This compares with a net profit attributable to equity holders of S$2.2 a year ago.

As at 30 June 2018, the Group's total equity was S$199.7 million from S$203.3 million as at 31 December 2017. The Group has cash and cash equivalent balance of S$43.9 million. The Group is in a net cash position with low debt-to-total equity ratio of 11.1%.

**Revenue from Continuing Operations**

| S$'000 | 2Q18 | 2Q17 | Change | YTD2Q18 | YTD 2Q17 | Change |
|---|---|---|---|---|---|---|
| **Corrosion Prevention ("CP")** | 3,356 | 3,178 | 6% | 6,297 | 5,312 | 19% |
| **Engineering & Construction ("E&C")** | 3,171 | 6,250 | (49%) | 12,200 | 9,667 | 26% |
| **Solar Energy** | 1,795 | 145 | N/M | 2,985 | 380 | 684% |
| **Others** | 198 | 196 | 1.0% | 392 | 390 | 0.5% |
| **Total** | **8,520** | **9,769** | **(13%)** | **21,874** | **15,749** | **39%** |

The Group's revenue fell 13% to S$8.5 million in 2Q18, compared with S$10 million in the previous corresponding period driven by shortfalls from the E&C segment.

E&C segment

Revenue for E&C segment fell 49% year-on-year to S$3.2 million in 2Q18 from S$6.3 million in 2Q17 due to the steel engineering segment. This is due to the absence of recognition of variation orders in 2Q17 from the completion of projects coupled with a one-off revenue adjustment in 2Q18 on a project. The Modular segment recorded a higher revenue in 2Q18 against 2Q17 for the delivery of pre-fabricated bathroom units for the Lendlease Paya Lebar condominium project.

For 1H18, revenue for E&C segment rose 26% against 1H17 due to timing as there were more progress in the delivery of larger scale projects especially for the Engineering segment in the first quarter.

Solar Energy segment

Revenue for the Solar Energy segment rose to S$1.8 million in 2Q18 from S$0.15 million in 2Q17 and also jumped to S$3.0 million in 1H18 from S$0.4 million in 1H17 as it starts to deliver for delayed projects in 2017 and new contracts secured for 2018.

CP segment

Revenue for CP segment increased by 6% to S$3.4 million in 2Q18 from S$3.2 million in 2Q17 largely driven by increase orders from the plant operations. With improvement in oil prices we are seeing a slow return of confidence and resultant increase in orders of the marine and offshore sectors in particular new vessel builds which our plant operations are dependent on coupled with our success to secure construction and infrastructure projects placing less reliance on the marine and offshore sectors. For the same reasons, revenue for the CP segment in 1H18 rose 19% against 1H17.

**Gross Profit and Gross Margin**

**Gross Profit From Continuing Operations**

| S$'000 | 2Q18 | 2Q17 | Change | YTD2Q18 | YTD 2Q17 | Change |
|---|---|---|---|---|---|---|
| **CP** | 887 | 699 | 27% | 1,699 | 834 | 104% |
| **E&C** | 32 | 1,362 | (98%) | 797 | 2,844 | (72%) |
| **Solar Energy** | 289 | (53) | N/M | 484 | (116) | N/M |
| **Others** | 77 | 62 | 24% | 149 | 126 | 18% |
| **Total** | **1,286** | **2,070** | **(38%)** | **3,129** | **3,687** | **(15%)** |

For 2Q18, the Group's gross profit dropped 38% year-on-year to S$1.3 million, compared with S$2.1 million in 2Q17 and for 1H18, Group's gross profit decreased 15% to S$3.1 million from S$3.7 million in 1H17. The decrease was mainly attributable to the E&C segment.

E&C segment

For 2Q18, gross profit for E&C segment decreased 98% from S$1.4 million in 2Q17 to S$32,000 in 2Q18. This is driven by the steel engineering projects on hand which are facing margin compression from the lackluster environment, cost overruns on some projects and the one-off revenue adjustment in 2Q18. Similarly, for 1H18, gross profit for E&C segment decreased 72% against 1H17 as a result.

Solar Energy segment

For 2Q18 and 1H18, a gross profit was registered for the Solar Energy Segment against an operating loss in the previous year. The significant improvement in gross profit for the solar energy segment is driven by the higher number of projects being executed in 2018 as explained above.

CP segment

CP segment's gross profit jumped significantly to S$0.9 million in 2Q18 from S$0.7 million in 2Q17 and S$1.7 million in 1H18 from S$0.8 million in 1H17 on the back of the more CP services from the plant operations. The increased revenue helped improve utilization of the factory capacity and equipment resulting also in gross margin increasing to 27% from 15.7% a year ago.

**Other Income**

Other income increased 146% year-on-year from S$0.3 million in 2Q17 to S$0.8 million in 2Q18 mainly due to higher rental and service income from the E&C segment, which helped offset lower interest income earned due to lower yield and lower surplus cash placed in fixed deposits. Similarly for the same reasons, Other income in 1H18 increased 105% to S$1.3 million from S$0.6 million in 1H17.

**Selling, Distribution, Administrative and Other Operating Expenses**

| S$'000 | 2Q18 | 2Q17 | Change | YTD2Q18 | YTD 2Q17 | Change |
|---|---|---|---|---|---|---|
| **Selling & Distribution** | 388 | 144 | 169% | 569 | 275 | 107% |
| **Admin** | 2,313 | 2,230 | 4% | 3,800 | 4,032 | (6%) |
| **Other OPEX** | 806 | 1,214 | (34%) | 2,843 | 2,661 | 7% |
| **Total OPEX** | **3,507** | **3,588** | **(2%)** | **7,212** | **6,968** | **4%** |

Total OPEX decreased by 2% year-on-year from S$3.6 million in 2Q17 to S$3.5 million in 2Q18, due to a reversal of 1Q18 unrealized exchange loss of S$0.7 million from the favorable movement of the USD exchange rate in 2Q18, a key currency for the solar projects in Bangladesh and Vietnam and for the modular business which helped offset higher other operating expenses from the modular construction business of the E&C segment during the development phase of the business.

Similarly against 1H17, Total OPEX increased 4% in 1H18 as included in 1H17 was unrealized exchange loss of S$0.7 million against an insignificant impact in 1H18. Excluding the foreign exchange impact, total Opex would have increased 15% due to high selling and administrative expenses incurred for the modular construction business in the E&C segment during the development phase of the business.

Selling and distribution expenses increased by 169% to S$388,000 in 2Q18 and increased 107% in 1H18, on higher travelling and business development expenses as the Group extends its operations in Asia in particular its modular business in the Australasia region.

Administrative expenses were higher by 4% to S$2.3 million in 2Q18 on higher staff related expenses incurred for the development of the modular construction business of the E&C segment. For 1H18, further cost rationalization measures and write backs of provisions no longer required helped reduced Administrative expenses to 6% below 1H17.

Other operating expenses fell 34% to S$0.8 million in 2Q18 on reversal of 1Q18 foreign exchange loss from the favorable US$ rate movement as explained above. For 1H18, other operating expenses increased 7% to S$2.8 million notwithstanding that 1H17 included an unrealized foreign exchange loss of S$0.7million due to higher operating expenses incurred for the modular construction business during its development phase.

**Finance Costs**

Finance costs were higher at S$160,000 in 2Q18 and S$206,000 in 1H18 due largely to higher bank borrowings for the redevelopment of the Hetat factory and office building.

**Share of Associates' Results**

Share of gain of associated companies was reported in 2Q18 and 1H18 against a share of loss against the corresponding periods last year due to the reversal of excess provisions of development expenses in 2018 coupled with 2 final units from the Heron Bay project was disposed at a loss in 1Q17.

**Financial Position and Cash Flow Analysis**

Non-current assets increased S$5.8 million from S$145.3 million as at 31 December 2017 to S$153.4 million as at 30 June 2018. This was mainly due to purchase of a piece of land (S$6.4 million) for modular construction development purpose in Gold Coast, Australia, increased in other receivable of $1.1 million from prepaid development costs of the Bangladesh and Vietnam solar projects offset by the 1H18 depreciation expense of fixed assets of S$2.4 million.

Current assets decreased S$14.7 million from S$108.2 million as at 31 December 2017 to S$93.6 million as at 30 June 2018. This was mainly due to:

a) Lower cash and cash equivalents of S$5.2 million for the purchase of the land for modular construction development purpose in Gold Coast, Australia of S$6.4m;

b) Lower trade receivables of S$3.5m from collections largely from E&C segment including progress payment received from the COSA modular project in Christchurch, New Zealand;

c) Lower other receivables of S$3.3 million largely from S$2.5 million loans previously extended to non-controlling interests for the Bangladesh solar project for progress capital call for the project has been settled via acquiring 10% of non-controlling shareholder interests in the project at cost as announced on 8 March 2018;

d) S$2.6m from repayment of loan received from a joint venture.

Current liabilities of the Group decreased S$3.6 million from S$39.8 million as at 31 December 2017 to S$36.3 million as at 30 June 2018. This was mainly due to:

a) Settlement of trade payables and accruals of S$3.2 million largely from the EC segment;

b) Decrease in other payables of S$3.8 million relating largely to the non-controlling shareholder interests in the Bangladesh solar project from the acquisition of additional 10% equity interests by the Group as mentioned above

c) Offset partially by increase in term loan of S$2.3 million from the drawdown of construction loan to finance the redevelopment of Hetat factory and revolving credit line to repay trust receipts due to banks.

Non-current liabilities of the Group remained flat at S$7.5 million as at 30 June 2018.

Shareholders' equity decreased to S$199.7 million as at 30 June 2018 from S$203.3 million as at 31 December 2017. The decrease was largely attributed to the loss for the Group in the first half and the dividends paid during the year.

Non-controlling interests of S$1.2 million relates to the minority interests portion of Solar Energy segment and the acquired subsidiary of TLC JSC Vietnam.

**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 31 March 2018.

**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.**

We remains optimistic that FY 2018 financial performance to be better than FY 2017 as the new twin engines, namely modular construction and solar energy are gaining traction and coming out from their development phase. However, FY 2018 is expected to report a loss as the contributions from the projects secured especially for the modular construction segment will substantially accrue only from FY 2019 onwards when the projects are delivered.

For the Engineering & Construction segment (E&C), the Cosa Hotel project is on course to deliver the turnkey project in 2H18 which the favourable contribution will only be recognized in 4Q18 upon the certificate of completion issued being a design and build turnkey project. In addition, with a growing order book for our modular construction technology, as announced and those progressing in the pipeline, we expect to see improvement in results for the E&C segment that is attributable to the modular construction segment from 2H18 and more so from FY 2019.

For the Group's solar energy segment, the momentum of securing new orders for roof-top solar projects in Singapore has gained paced and we remain cautiously optimistic that this segment will be profitable for the Group in FY 2018. The Group will continue to focus on developing the 50MW Bangladesh solar farm project to target to commission in 1H2019.

For the Group's Corrosion Prevention (CP) business, with some confidence seen returning to the marine and offshore sectors boosted by the gradual recovery of oil prices, we remain cautiously optimistic that our CP business will improve over last year. 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.

**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/recommended, a statement to that effect**

Not applicable.

**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 June 2018. 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 2Q18 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
14 August 2018