

SHS Holdings Ltd.

(Company Registration No. 197502208Z)

Unaudited Financial Statement Announcement for the Second 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 Jun			Group 6 months ended 30 Jun		
	2017	2016	Change	2017	2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Continuing Operations</u>						
Revenue	9,769	13,732	(29%)	15,749	26,643	(41%)
Cost of sales and services	(7,699)	(10,451)	(26%)	(12,062)	(20,749)	(42%)
Gross profit	<u>2,070</u>	<u>3,281</u>	(37%)	<u>3,687</u>	<u>5,894</u>	(37%)
Other income	337	738	N/M	619	1,264	(51%)
Selling and distribution expenses	(144)	(235)	(39%)	(275)	(350)	(21%)
Administrative expenses	(2,230)	(2,543)	(12%)	(4,032)	(4,548)	(11%)
Other operating expenses	(1,214)	(866)	40%	(2,661)	(1,967)	35%
(Loss)/profit from operations	<u>(1,181)</u>	<u>375</u>	N/M	<u>(2,662)</u>	<u>293</u>	N/M
Finance costs	(38)	(26)	46%	(73)	(67)	9%
Share of (loss)/profit of associated companies	(77)	37	N/M	(263)	330	N/M
Share of profit of joint ventures	19	-	N/M	27	-	N/M
(Loss)/profit before income tax	<u>(1,277)</u>	<u>386</u>	N/M	<u>(2,971)</u>	<u>556</u>	N/M
Income tax	71	20	255%	157	54	191%
(Loss)/profit from continuing operations after tax	<u>(1,206)</u>	<u>406</u>	N/M	<u>(2,814)</u>	<u>610</u>	N/M
<u>Discontinued operations #</u>						
Profit from discontinued operations after tax	13	7,556	(100%)	184	7,556	(98%)
(Loss)/profit after income tax	<u>(1,193)</u>	<u>7,962</u>	N/M	<u>(2,630)</u>	<u>8,166</u>	N/M
Attributable to:						
Equity holders of the Company						
- Continuing Operations	(926)	451	N/M	(2,247)	655	N/M
- Discontinued Operations	13	7,556	(100%)	184	7,556	(98%)
	(913)	8,007	N/M	(2,063)	8,211	N/M
Non-controlling interests, net of income tax						
- Continuing Operations	(280)	(45)	522%	(567)	(45)	N/M
- Discontinued Operations	-	-	N/M	-	-	N/M
	(280)	(45)	N/M	(567)	(45)	N/M
	<u>(1,193)</u>	<u>7,962</u>	N/M	<u>(2,630)</u>	<u>8,166</u>	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 Jun			Group 6 months ended 30 Jun		
	2017 S\$'000	2016 S\$'000	Change %	2017 S\$'000	2016 S\$'000	Change %
(Loss)/profit after income tax	(1,193)	7,962	N/M	(2,630)	8,166	(132%)
Other comprehensive income						
Foreign currency translation	194	10	N/M	(191)	32	(696%)
	<u>194</u>	<u>10</u>	N/M	<u>(191)</u>	<u>32</u>	N/M
Total comprehensive (expenses)/income	<u>(999)</u>	<u>7,972</u>	N/M	<u>(2,821)</u>	<u>8,198</u>	N/M
Attributable to:						
Equity holders of the Company	(739)	8,017	N/M	(2,212)	8,240	(127%)
Non-controlling interests, net of income tax	(260)	(45)	477%	(609)	(42)	N/M
	<u>(999)</u>	<u>7,972</u>	N/M	<u>(2,821)</u>	<u>8,198</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 Jun			Group 6 months ended 30 Jun		
		2017 S\$'000	2016 S\$'000	Change %	2017 S\$'000	2016 S\$'000	Change %
Other Income	1	121	298	(59%)	256	489	(48%)
Dividend income	2	98	334	(71%)	98	334	(71%)
Interest Income	3	133	254	(48%)	264	510	(48%)
Interest on borrowings	4	(38)	(26)	46%	(73)	(67)	9%
Depreciation	5	(672)	(768)	(13%)	(1,416)	(1,561)	(9%)
Fixed assets written off		(1)	-	N/M	(1)	(1)	0%
Gain/(loss) on disposal of fixed assets		1	(1)	(200%)	1	4	(75%)
Amortisation of intangible assets		(15)	(15)	0%	(29)	(29)	0%
(Allowance)/write-back on allowance for doubtful debts	6	(45)	-	N/M	(45)	27	(267%)
Stock written back		-	1	(100%)	16	1	N/M
Foreign exchange loss	7	(97)	(147)	(34%)	(673)	(73)	822%

- 1) The decrease was largely due to lower scraps income from SSF segment.
- 2) The dividend income mainly derived from investment in EVIA fund which in 2Q16 a special dividend was paid.
- 3) The decrease was largely due to lower surplus cash for fixed deposit placement and lower interest yield.
- 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 was mainly due to slow collection and therefore required provision.
- 7) The increase in exchange loss was mainly due to unrealized exchange loss from the Mongolian Tugriks and Malaysia ringgit and the depreciation 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 2017 S\$'000	31 Dec 2016 S\$'000	30 Jun 2017 S\$'000	31 Dec 2016 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	62,040	42,793	8,059	8,399
Investment in subsidiary companies	-	-	54,347	54,347
Investments in associated companies	22,028	22,291	7,004	7,004
Financial assets, available-for-sale	19,711	19,711	17,135	17,135
Investment in joint ventures	33	6	-	-
Intangible assets	24	52	-	-
Goodwill	30,100	26,450	-	-
	<u>133,936</u>	<u>111,303</u>	<u>86,545</u>	<u>86,885</u>
Current Assets				
Stock and work-in-progress	14,313	9,941	245	429
Trade receivables	14,277	21,147	180	201
Amount due from subsidiaries	-	-	55,543	39,517
Amount due from joint ventures	345	328	-	-
Other receivables and prepayments	22,552	31,888	7,664	17,727
Loan receivables from joint ventures	2,634	2,633	-	-
Loan receivables from an associated company	600	600	-	-
Fixed deposits	43,000	51,000	43,000	51,000
Cash and bank balances	21,437	19,792	1,672	3,787
	<u>119,158</u>	<u>137,329</u>	<u>108,304</u>	<u>112,661</u>
Total Assets	253,094	248,632	194,849	199,546
LIABILITIES				
Current Liabilities				
Trade payables and accruals	7,845	12,311	992	1,722
Other payables	5,976	4,397	298	263
Amount due to subsidiaries	-	-	2,323	4,980
Term loans	25	18	-	-
Other amounts due to bankers	5,306	5,314	-	-
Amount due to non-controlling interest	810	-	-	-
Finance leases	139	103	-	-
Provision for taxation	454	528	-	-
	<u>20,555</u>	<u>22,671</u>	<u>3,613</u>	<u>6,965</u>
Non-current Liabilities				
Term loans	12,580	3,840	-	-
Finance leases	143	278	-	-
Deferred taxation	1,768	2,015	633	633
	<u>14,491</u>	<u>6,133</u>	<u>633</u>	<u>633</u>
Total Liabilities	35,046	28,804	4,246	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	748	897	-	-
Other reserve	-	-	3,297	3,297
Revenue reserve	55,723	59,499	28,799	30,144
	<u>213,852</u>	<u>217,777</u>	<u>190,603</u>	<u>191,948</u>
Non-controlling interests	4,196	2,051	-	-
Total Equity	218,048	219,828	190,603	191,948
Total Liabilities and Equity	253,094	248,632	194,849	199,546

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

	30-Jun-17 S\$'000	31-Dec-16 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	5,470	5,435
Unsecured	-	-
	5,470	5,435
Amount Repayable after one year, or on demand		
Secured	12,723	4,118
Unsecured	-	-
	12,723	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 Jun		6 months ended 30 Jun	
	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	(1,277)	386	(2,971)	556
Profit before income tax from discontinued operations	13	7,556	184	7,556
(Loss)/profit before income tax, total	(1,264)	7,942	(2,788)	8,112
Adjustments for:				
Depreciation	672	768	1,416	1,561
Fixed assets written off	1	-	1	1
Amortisation of intangible assets	15	15	29	29
(Gain)/loss on disposal of fixed assets	(1)	1	(1)	(4)
Interest on borrowings	38	26	73	67
Interest income	(133)	(254)	(264)	(510)
Share of profit of joint ventures	(19)	-	(27)	-
Share of loss/(profit) of associated companies	77	(37)	263	(330)
Gain on disposal of subsidiary	-	(7,556)	-	(7,556)
Allowance/(write back) for doubtful debts	45	-	45	(27)
Allowance for inventory obsolescence	(16)	-	(187)	-
Dividend income	(98)	(334)	(98)	(334)
Inventories written off/(written back)	2	(1)	(16)	(1)
Net foreign currency translation adjustments	212	(22)	(19)	23
Operating cash flow before working capital changes	(469)	548	(1,573)	1,031
Changes in working capital				
Inventories and work-in-progress	(1,592)	(1,213)	(4,799)	(502)
Receivables	(1,092)	(5,568)	15,124	(6,187)
Payables	745	528	(2,936)	(4,586)
Cash (used in)/generated from operations	(2,408)	(5,705)	5,816	(10,244)
Interest paid	(38)	(26)	(73)	(67)
Interest received	133	254	264	510
Income tax payment	(4)	(105)	41	(99)
Net cash (used in)/generated from operating activities	(2,317)	(5,582)	6,048	(9,900)
Cash Flows from Investing Activities				
Dividend received	98	334	98	334
Purchase of property, plant and equipment	(7,429)	(3,177)	(15,408)	(5,187)
Proceeds from disposal of property, plant and equipment	23	228	1	240
Net cash inflow on disposal of subsidiary (discontinued operations)	-	7,556	-	7,556
Investment in a joint venture	-	-	-	(7)
Repayment from a joint venture	(17)	-	(17)	-
Cashflow on acquisition of subsidiary (net of cash)	-	-	(5,836)	-
Net cash (used in)/generated from investing activities	(7,325)	4,941	(21,162)	2,936
Cash Flows from Financing Activities				
Net proceeds from issue of shares	-	14,992	-	16,906
Purchase of treasury shares	-	(1,777)	-	(1,777)
Dividends paid	(1,713)	(27,741)	(1,713)	(27,741)
Fixed deposit discharge with bank	-	-	-	1,200
Fund repayment to hire purchase	(50)	(57)	(100)	(113)
Drawdown/(repayment) to term loan	7,209	-	8,747	(150)
Repayment of trusts receipts	(301)	(546)	(8)	(2,585)
Capital contribution from non-controlling interest	(56)	107	1,196	107
Shareholder loan from non-controlling interest	810	-	810	-
Net cash generated from/(used in) financing activities	5,899	(15,022)	8,932	(14,153)
Net foreign currency translation adjustments	(26)	32	(173)	9
Net decrease in cash and cash equivalents	(3,769)	(15,631)	(6,355)	(21,108)
Cash and cash equivalents at the beginning of the period	68,206	97,078	70,792	102,555
Cash and cash equivalents at the end of the period	64,437	81,447	64,437	81,447

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	-	-	-	-	(149)	(2,063)	(2,212)	(609)	(2,821)
Acquisition of subsidiary	-	-	-	-	-	-	-	1,558	1,558
Dividends paid	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	1,196	1,196
Balance at 30 June 2017	160,636	(5,003)	1,748	-	748	55,723	213,852	4,196	218,048
Balance at 01 January 2016	143,730	(3,226)	1,748	-	1,400	75,450	219,102	849	219,951
Comprehensive income	-	-	-	-	29	8,211	8,240	(42)	8,198
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 June 2016	160,636	(5,003)	1,748	-	1,429	55,920	214,730	914	215,644
Company									
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
Balance at 01 January 2016	143,730	(3,226)	2,874	3,297	-	50,794	197,469	-	197,469
Comprehensive income	-	-	-	-	-	7,296	7,296	-	7,296
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 June 2016	160,636	(5,003)	2,874	3,297	-	30,349	192,153	-	192,153

- 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: -

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	-	-	84,530,775	16,906,155
As at 30 June	710,618,161	160,636,116	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 June	25,490,900	5,003,269	25,490,900	5,003,269
Total shares excluding treasury shares as at 30 June	685,127,261	155,632,847	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 218,584,603.

There were no subsidiary holdings as at 30 June 2017 and 30 June 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-Jun-17	31-Dec-16
Total number of shares (including treasury shares)	710,618,161	710,618,161
Less treasury shares	(25,490,900)	(25,490,900)
Total number of shares (excluding treasury shares)	685,127,261	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 June 2017	2016	6 months ended 30 June 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	(0.14) cents	0.07 cents	(0.34) cents	0.10 cents
-Diluted	(0.14) cents	0.07 cents	(0.33) cents	0.10 cents
Based on the weighted average number of shares (Basic)	662,109,747	623,831,777	662,109,747	623,831,777
Based on the weighted average number of shares (Diluted)	682,171,360	680,288,632	682,171,360	680,288,632

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 2017	31 Dec 2016	30 June 2017	31 Dec 2016
Net asset backing per ordinary share	31.21 cents	31.79 cents	27.82 cents	28.02 cents
Based on the number of shares in issue, excluding treasury shares	685,127,261	685,127,261	685,127,261	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 second quarter ended 30 June 2017 ("2Q17"), the Group recorded a 29% decrease in revenue from continuing operations to S\$9.8 million and a net loss attributable to equity holders of S\$926,000. This compares with a net profit attributable to equity holders of S\$451,000 a year ago. Profit from discontinued operations after tax in 2Q16 of S\$7.6 million relates to the post completion payment adjustment received from the acquirer, Brentag for the disposal of the Refined Petroleum Business.

For the first half ended 30 June 2017 ("1H17"), the Group recorded a 41% decrease in revenue from continuing operations to S\$15.7 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\$655,000 a year ago. Profit from discontinued operations after tax in 1H16 of S\$7.6 million relates to the disposal of the Refined Petroleum Business as explained above.

As at 30 June 2017, the Group's total equity was S\$213.9 million from S\$217.8 million as at 31 December 2016. The Group has cash and cash equivalent balance of S\$64.4 million. The Group is in a net cash position with low debt-to-total equity ratio of 8.5%.

Revenue from Continuing Operations

S\$'000	2Q17	2Q16	Change	1H17	1H16	Change
Corrosion Prevention ("CP")	3,178	5,440	(42%)	5,312	10,415	(49%)
Structural Steel & Facade ("SSF")	6,250	7,895	(21%)	9,667	15,489	(38%)
Solar Energy	145	113	28%	381	146	161%
Others	196	284	(31%)	389	593	(34%)
Total	9,769	13,732	(29%)	15,749	26,643	(41%)

The Group's revenue contracted 29% to S\$9.8 million in 2Q17, compared with S\$13.7 million in the previous corresponding period. For 1H17, the Group's revenue fell 41% to S\$15.7 million from S\$26.6 million in 1H16.

CP segment

Revenue for CP segment tumbled 42% to S\$3.2 million in 2Q17 from S\$5.4 million in 2Q16. For 1H17, revenue decreased 49% to S\$5.3 million, from S\$10.4 million in 1H16. The depressed marine, offshore, oil and gas sectors resulted in few new builds of offshore rigs and vessels which the CP segment relies heavily on continues to adversely affect our CP business. Notwithstanding that 2Q17 revenue improved 49% above 1Q17, the business at current level is still operating at well below efficient plant and equipment capacity levels.

SSF segment

Revenue for SSF segment decreased 21% year-on-year to S\$6.3 million in 2Q17 from S\$7.9 million in 2Q16 and decreased 38% year-on-year in 1H17 from S\$15.5 million to S\$9.7 million due to timing as projects on hand were projected to be delivered in the second half of the financial year.

Solar Energy segment

Revenue for the Group's new Solar Energy segment reflects the income contributed from small projects as it is still in the business development stage.

Gross Profit and Gross Margin

Gross Profit From Continuing Operations

S\$'000	2Q17	2Q16	Change	1H17	1H16	Change
CP	699	1,580	(56%)	8354	2,852	(71%)
SSF	1,362	1,656	(18%)	2,844	2,845	-
Solar	(54)	(89)	39%	(117)	(65)	(80%)
Others	63	134	(53%)	126	262	(52%)
Total	2,070	3,281	(37%)	3,687	5,894	(37%)

For 2Q17, the Group's gross profit decreased 37% year-on-year to S\$2.1 million, compared with S\$3.3 million in 2Q16. The decrease was mainly due to the significant drop in revenue of both the CP and the SSF segments as discussed above. The Group's gross margin fell from 23.9% in 2Q16 to 21.2% in 2Q17 caused by the dismal performance of the CP segment as it operates at well below the plant and equipment capacities.

For 1H17, the Group's gross profit decreased by 37% to S\$3.7 million from S\$5.9 million. However, gross margin increase from 22.1% to 23.4% due to higher margin in SSF's projects.

CP segment

CP segment's gross profit dipped significantly to S\$0.7 million in 2Q17 from S\$1.6 million in 2Q16, on the back of the slump in revenue although still a better performance than 1Q17. For 1H17, gross profit decreased to S\$0.8 million from S\$2.8 million. The underutilization of the factory capacity and equipment resulted in gross margin decreasing to 22% from 29% a year ago.

SSF segment

SSF segment's gross profit dipped to S\$1.4 million in 2Q17 from S\$1.7 million in 2Q16 on the back of drop in revenue due to timing of the delivery of projects as explained above. Notwithstanding the lower sales revenue, gross margin improved slightly from 21% in 2Q16 to 21.8% in 2Q17 from better cost and project management. For 1H17, gross profit for SSF segment remained unchanged at S\$2.8 million but gross margin improved from 18.4% to 29.4%. This was mainly due to higher portfolio of smaller but higher margin projects and better cost and project management.

Solar Energy segment

Whilst revenue in 2Q17 and 1H17 was higher than 2Q16 and 1H16 respectively, a gross loss was incurred as the segment absorbed higher operating costs during the development phase of its entry in the solar energy market.

Other Income

Other income decreased by 54% year-on-year from S\$0.7 million in 2Q16 to S\$0.3 million in 2Q17 and decreased 51% year-on-year from S\$1.3 million in 1H16 to S\$0.6 million in 1H17 mainly due to lower interest income from lower yield and lower surplus cash placed in fixed deposits; lower scrap income from the SSF segment and lower dividend income from the absence of a one-off special dividend received from the EVIA Korean Fund investment in 2Q16.

Selling, Distribution, Administrative and Other Operating Expenses

S\$'000	2Q17	2Q16	Change	1H17	1H16	Change
Selling & Distribution	(144)	(235)	(39%)	(275)	(350)	(21%)
Admin	(2,230)	(2,543)	(12%)	(4,032)	(4,548)	(11%)
Other OPEX	(1,214)	(866)	40%	(2,661)	(1,967)	35%
Total OPEX	(3,588)	(3,644)	(2%)	(6,968)	(6,865)	2%

Total operating expenses decreased marginally in 2Q17 by 2% and increased 2% in 1H17. The fall in selling and distribution expenses and administrative expenses is consistent with the drop in overall business activity and the Group's continuing cost rationalization efforts whilst the increased in other opex is due to the inclusion of the modular construction business acquired in early February 2017.

Finance Costs

Finance costs were higher in 2Q17 and 1H17 due to longer tenor of trust receipts placed and the inclusion of the modular construction business acquired in early February 2017.

Share of Associates' Results

Share of loss of associated companies came in at S\$77,000 in 2Q17 compared with a profit of S\$37,000 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 1H2017 was S\$263,000 against a profit of S\$330,000 as the final 2 units from the Heron Bay project was disposed at a loss in 1Q17.

Financial Position and Cash Flow Analysis

Non-current assets increased S\$22.6m from S\$111.3 million as at 31 December 2016 to S\$133.9 million as at 30 June 2017. This was mainly due to increase in fixed assets of \$19.2 million arising largely from the redevelopment of the current SSF plant at 19 Tuas Avenue 20, the consolidation of fixed assets of newly acquired TLC JSC Vietnam of S\$5 million and S\$5.3 million from Solar segment for the progressively acquisition of land for the Bangladesh solar project offset partially by depreciation of Property, plant and equipment charged to the income statement in the quarter of S\$1.4 million and; goodwill increase of S\$3.6 million arising from the acquisition of TLC JSC Vietnam in February 2017.

Current assets decreased S\$18.2 million from \$137.3 million as at 31 December 2016 to S\$119.2 million as at 30 June 2017. This was mainly due to:

- a) Lower cash and cash equivalents of \$6.4 million from fixed assets increase of S\$15.1 million arising from the redevelopment of SSF factory and acquisition of land for the solar project in Bangladesh partially financed from term loan increased of S\$8.7 million ; acquisition of modular business of TLC JSC in Vietnam of \$5.8 million and settlement of accrued expenses and payables of S\$2.9 million offset by improved collections from trade receivables and the receipt of S\$10 million held previously in escrow from the sale of the RP business;
- b) Lower trade receivables of S\$6.9 million from collections of receivables and lower revenue in the first half;

- c) Lower other receivables of S\$9.3 million from the receipt of escrow monies of \$10 million previously held for the sale of the RP business;
- d) Offset by increase in stocks and work in progress of \$4.4 million largely from SSF segment in relation to ongoing steel fabrication projects (S\$1 million) and the consolidation of the modular construction business acquired in February 2017 (S\$3.1 million).

Current liabilities of the Group decreased \$2.1 million from S\$22.7 million as at 31 December 2016 to S\$20.6 million as at 30 June 2017. This is mainly due to lower trade payables and accruals of \$4.5 million from settlement of dues to subcontractors, trade creditors and payment of accrued expenses relating to year-end staff related expenses offset by increase in other payables of S\$1.6 million.

Non-current liabilities of the Group increased S\$8.4 million as at 30 June 2017 due largely to secure term loans drawdown by SSF of S\$8.7 million in relation to the redevelopment of factory.

Shareholders' equity decreased to S\$213.9 million as at 30 June 2017 from S\$217.8 million as at 31 December 2016. The decrease was largely attributed to the loss in 1H17.

Non-controlling interests of S\$4.2 million relates to the minority interests portion of Solar Energy segment and the newly acquired subsidiary of TLC JSC Vietnam.

During 1H17, the Group recorded a net cash inflow of S\$6.1 million from operating activities after adding S\$5.8 million for changes in working capital largely driven by the receipt of the \$10 million held in escrow from the sale of the RP business.

Net cash used in investing activities amounted to S\$21.1 million in 1H17, mainly due to the construction in progress arising from the plant redevelopment of SSF factory and the purchase of land in Bangladesh for the Solar Energy segment and the payment in relation to the acquisition of TLC JSC in Vietnam.

Net cash generated from financing activities in 1H17 was S\$8.9 million derived from drawdown of bank loans for the redevelopment of SSF factory. After taking into account net foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$6.4 million to S\$64.4 million for 1H17.

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 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 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 this exciting segment can only be seen in the latter part of this financial year and 2018 where 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 by the second quarter 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 ten interested person transactions totalling S\$243,000 during the three months ended 30 June 2017. For the first half ended 30 June 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 2Q17 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
11 August 2017