

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

Unaudited Financial Statement Announcement for the First Quarter 2019

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 31 Mar | | |
| | 2019 | 2018 | Change |
| | S\$'000 | S\$'000 | % |
| <u>Continuing Operations</u> | | | |
| Revenue | 4,622 | 13,355 | (65%) |
| Cost of sales and services | (4,772) | (11,511) | (59%) |
| Gross (loss)/profit | (150) | 1,844 | N/M |
| Other income | 406 | 436 | (7%) |
| Selling and distribution expenses | (180) | (181) | (1%) |
| Administrative expenses | (1,846) | (1,487) | 24% |
| Other operating expenses | (1,567) | (2,038) | (23%) |
| Loss from operations | (3,337) | (1,426) | 134% |
| Finance costs | (199) | (46) | 333% |
| Share of loss of associated companies | (2) | (45) | (96%) |
| Share of profit of joint ventures | - | 34 | (100%) |
| Loss before income tax | (3,538) | (1,483) | 139% |
| Income tax | 27 | 5 | 440% |
| Loss from continuing operations after tax | (3,511) | (1,478) | 138% |
| <u>Discontinued operations #</u> | | | |
| Profit from discontinued operations after tax | - | 101 | (100%) |
| Loss after income tax | (3,511) | (1,377) | 155% |
| Attributable to: | | | |
| Equity holders of the Company | | | |
| - Continuing Operations | (2,810) | (1,259) | 123% |
| - Discontinued Operations | - | 101 | (100%) |
| | (2,810) | (1,158) | 143% |
| Non-controlling interests, net of income tax | | | |
| - Continuing Operations | (701) | (219) | 220% |
| - Discontinued Operations | - | - | N/M |
| | (701) | (219) | 220% |
| | (3,511) | (1,377) | 155% |

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

Statement of Comprehensive Income

| | Group | | Change % |
|--|-----------------|-----------------|-------------|
| | 2019 S\$'000 | 2018 S\$'000 | |
| Loss after income tax | (3,511) | (1,377) | 155% |
| <u>Other comprehensive (expense)/ income</u> | | | |
| Foreign currency translation | (96) | (902) | (89%) |
| | <u>(96)</u> | <u>(902)</u> | (89%) |
| Total comprehensive loss | <u>(3,607)</u> | <u>(2,279)</u> | 58% |
| Attributable to: | | | |
| Equity holders of the Company | (2,892) | (1,820) | 59% |
| Non-controlling interests, net of income tax | (715) | (459) | 56% |
| | <u>(3,607)</u> | <u>(2,279)</u> | 58% |

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:

| | Note | Group | | Change % |
|--|------|-----------------|-----------------|-------------|
| | | 2019 S\$'000 | 2018 S\$'000 | |
| Other Income | 1 | 334 | 361 | (7%) |
| Interest Income | 2 | 63 | 84 | (25%) |
| Interest on borrowings | 3 | (199) | (46) | 333% |
| Depreciation of property, plant and equipments | 4 | (1,181) | (1,406) | (16%) |
| Property, plant and equipment written off | | - | (1) | (100%) |
| (Loss)/gain on disposal of fixed assets | | 9 | (9) | (200%) |
| Foreign exchange gain/(loss) | 5 | (169) | (775) | (78%) |

- 1) The decrease in other income was mainly due to lower scrap income and no more PIC grant in current period.
- 2) The decrease was largely due to lower surplus cash available for fixed deposit placement.
- 3) The increase was mainly due to higher borrowings from the E&C segment.
- 4) The decrease was mainly due some assets fully depreciated in CP segment and depreciation charge to TLC project WIP not yet expenses off.
- 5) The decrease in exchange loss was mainly due to unrealized exchange loss from the lower rate of depreciation of the US\$ as compared to same period 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 | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 Mar 2019 S\$'000 | 31 Dec 2018 S\$'000 | 31 Mar 2019 S\$'000 | 31 Dec 2018 S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 90,904 | 91,530 | 117 | 134 |
| Investment property | - | - | 12,936 | 13,228 |
| Investment in subsidiary companies | - | - | 44,747 | 44,747 |
| Investments in associated companies | 1,300 | 1,302 | - | - |
| Other Financial Assets | 23,745 | 23,840 | 22,686 | 22,686 |
| Investment in joint ventures | - | - | - | - |
| Intangible assets | - | - | - | - |
| Goodwill | 16,850 | 16,850 | - | - |
| Other receivable and prepayments | 8,012 | 7,990 | 8,012 | 7,990 |
| Prepaid land lease | 6,219 | 6,303 | - | - |
| | <u>147,030</u> | <u>147,815</u> | <u>88,498</u> | <u>88,785</u> |
| Current Assets | | | | |
| Prepaid land lease | 186 | 187 | - | - |
| Inventories | 8,202 | 7,849 | - | - |
| Land held for development | 5,846 | 5,591 | - | - |
| Contract assets | 17,909 | 19,362 | 68 | 86 |
| Trade receivables | 7,885 | 9,286 | - | - |
| Amount due from subsidiaries | - | - | 91,789 | 90,121 |
| Amount due from joint ventures | - | - | - | - |
| Other receivables and prepayments | 9,882 | 10,097 | 131 | 129 |
| Loan receivable from joint ventures | - | - | - | - |
| Loan receivables from an associated company | - | - | - | - |
| Fixed deposits | 16,000 | 20,030 | 16,000 | 20,030 |
| Cash and bank balances | 15,399 | 9,860 | 2,962 | 579 |
| | <u>81,309</u> | <u>82,262</u> | <u>110,950</u> | <u>110,945</u> |
| Assets held for sale | 6,416 | 6,299 | - | - |
| | <u>87,725</u> | <u>88,561</u> | <u>110,950</u> | <u>110,945</u> |
| Total Assets | 234,755 | 236,376 | 199,448 | 199,730 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Trade payables and accruals | 8,896 | 10,893 | 313 | 268 |
| Contract liabilities | 9,156 | 5,037 | - | - |
| Other payables | 8,050 | 7,713 | 316 | 307 |
| Amount due to related parties | - | - | 833 | 776 |
| Term loans | 5,599 | 4,878 | - | - |
| Other amounts due to associates | 811 | 801 | - | - |
| Other amounts due to bankers | 2,033 | 3,147 | - | - |
| Hire purchase creditors | 44 | 59 | - | - |
| Provision for taxation | 620 | 608 | - | - |
| | <u>35,209</u> | <u>33,136</u> | <u>1,462</u> | <u>1,351</u> |
| Liabilities directly associated with the assets held for sale | 2 | 29 | - | - |
| | <u>35,211</u> | <u>33,165</u> | <u>1,462</u> | <u>1,351</u> |
| Non-current Liabilities | | | | |
| Term loans | 13,023 | 13,062 | - | - |
| Hire purchase creditors | 49 | 49 | - | - |
| Deferred taxation | 3,485 | 3,507 | 1,802 | 1,802 |
| | <u>16,557</u> | <u>16,618</u> | <u>1,802</u> | <u>1,802</u> |
| Total Liabilities | 51,768 | 49,783 | 3,264 | 3,153 |
| EQUITY | | | | |
| Share capital | 160,637 | 160,637 | 160,637 | 160,637 |
| Treasury shares | (5,003) | (5,003) | (5,003) | (5,003) |
| Asset revaluation reserve | 7,456 | 7,456 | 8,582 | 8,582 |
| Foreign currency translation reserve | (635) | (553) | - | - |
| Other reserve | - | - | 3,297 | 3,297 |
| Fair Value reserve | (1,145) | (1,145) | (1,453) | (1,453) |
| Retained earnings | 24,100 | 26,910 | 30,124 | 30,517 |
| | <u>185,410</u> | <u>188,302</u> | <u>196,184</u> | <u>196,577</u> |
| Non-controlling interests | (2,423) | (1,709) | - | - |
| Total Equity | 182,987 | 186,593 | 196,184 | 196,577 |
| Total Liabilities and Equity | 234,755 | 236,376 | 199,448 | 199,730 |

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

| | 31-Mar-19 S\$'000 | 31-Dec-18 S\$'000 |
|---|----------------------|----------------------|
| Amount Repayable in one year or less, or on demand | | |
| Secured | 7,676 | 8,085 |
| Unsecured | - | - |
| | <u>7,676</u> | <u>8,085</u> |
| Amount Repayable after one year, or on demand | | |
| Secured | 13,072 | 13,111 |
| Unsecured | - | - |
| | <u>13,072</u> | <u>13,111</u> |

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; and
- 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 | |
|--|------------------------------|----------------|
| | 3 months ended 31 Mar | |
| | 2019 | 2018 |
| | S\$'000 | S\$'000 |
| Cash Flows from Operating Activities | | |
| Loss before income tax from continuing operations | (3,538) | (1,483) |
| Profit before income tax from discontinued operations | - | 101 |
| Loss before income tax, total | <u>(3,538)</u> | <u>(1,382)</u> |
| Adjustments for: | | |
| Depreciation of property, plant and equipments | 1,182 | 1,406 |
| Property, plant and equipment written off | - | 1 |
| Amortisation of prepaid landlease | 71 | - |
| (Loss)/gain on disposal of property, plant and equipments | (9) | 9 |
| Interest on borrowings | 199 | 46 |
| Interest income | (63) | (84) |
| Share of profit of joint ventures | - | (34) |
| Share of loss of associated companies | 2 | 45 |
| Inventories written back | - | (101) |
| Net foreign currency translation adjustments | 97 | 224 |
| Operating cash flow before working capital changes | <u>(2,059)</u> | <u>129</u> |
| Changes in working capital | | |
| Inventories | (2,313) | 699 |
| Receivables and contract assets | 8,234 | 1,187 |
| Payables and contract liabilities | <u>(1,803)</u> | <u>(4,836)</u> |
| Cash generated from/(used in) from operations | 2,059 | (2,821) |
| Interest paid | (199) | (46) |
| Interest received | 63 | 84 |
| Income tax payment | 16 | (169) |
| Net cash generated from/ (used in) operating activities | <u>1,939</u> | <u>(2,952)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (74) | (1,247) |
| Purchase of land held for development | - | (6,410) |
| Loan repayment by Joint Venture | - | (2) |
| Reduction of other investment | 96 | - |
| Net cash generated from/(used in) investing activities | <u>22</u> | <u>(7,659)</u> |
| Cash Flows from Financing Activities | | |
| Fund repayment to hire purchase | (15) | (37) |
| Drawdown of term loan | 681 | 2,629 |
| Drawdown/ (repayment) of trusts receipts | (1,114) | (44) |
| (Acquisition)/capital contribution from non-controlling interest | - | (676) |
| Increase in amount due to associates | 10 | 822 |
| Net cash (used in)/generated from financing activities | <u>(438)</u> | <u>2,694</u> |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (13) | (68) |
| Net increase/(decrease) in cash and cash equivalents | 1,510 | (7,984) |
| Cash and cash equivalents at the beginning of the period | <u>29,889</u> | <u>49,107</u> |
| Cash and cash equivalents at the end of the period | <u>31,399</u> | <u>41,123</u> |

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 | Fair Value Reserve S\$'000 | Foreign Currency Translation Reserve S\$'000 | Retained Earnings S\$'000 | Total S\$'000 | Non-controlling Interests S\$'000 | Total Equity S\$'000 |
|---|--------------------------|---------------------------|--------------------------------|--------------------------|-------------------------------|---|------------------------------|------------------|--------------------------------------|-------------------------|
| Group | | | | | | | | | | |
| Balance at 01 January 2019 | 160,637 | (5,003) | 7,456 | - | (1,145) | (553) | 26,910 | 188,302 | (1,708) | 186,594 |
| Comprehensive income | - | - | - | - | - | (82) | (2,810) | (2,892) | (715) | (3,607) |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2019 | 160,637 | (5,003) | 7,456 | - | (1,145) | (635) | 24,100 | 185,410 | (2,423) | 182,987 |
| Balance at 01 January 2018 | 160,637 | (5,003) | 7,456 | - | - | 671 | 39,559 | 203,320 | 2,938 | 206,258 |
| Effect of adopting SFRS (I) 1 | - | - | - | - | - | (897) | 897 | - | - | - |
| Adjustment on initial application of SFRS (I) 9 n | - | - | - | - | - | - | (1,007) | (1,007) | (17) | (1,024) |
| Balance at 01 January 2018 (restated) | 160,637 | (5,003) | 7,456 | - | - | 671 | 38,552 | 202,313 | 2,921 | 205,234 |
| Comprehensive income | - | - | - | - | - | (662) | (1,158) | (1,820) | (459) | (2,279) |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | (676) | (676) |
| Balance at 31 March 2018 | 160,637 | (5,003) | 7,456 | - | - | 9 | 37,394 | 200,493 | 1,786 | 202,279 |
| Company | | | | | | | | | | |
| Balance at 01 January 2019 | 160,637 | (5,003) | 8,582 | 3,297 | (1,453) | - | 30,517 | 196,577 | - | 196,577 |
| Comprehensive income | - | - | - | - | - | - | (393) | (393) | - | (393) |
| Dividends paid | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2019 | 160,637 | (5,003) | 8,582 | 3,297 | (1,453) | - | 30,124 | 196,184 | - | 196,184 |
| Balance at 01 January 2018 | 160,637 | (5,003) | 8,582 | 3,297 | - | - | 40,910 | 208,423 | - | 208,423 |
| Comprehensive income | - | - | - | - | - | - | (283) | (283) | - | (283) |
| Balance at 31 March 2018 | 160,637 | (5,003) | 8,582 | 3,297 | - | - | 40,627 | 208,140 | - | 208,140 |

- 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:-

| | 2019 | | 2018 | |
|---|------------------|-------------|------------------|-------------|
| | Number of shares | S\$ | Number of shares | S\$ |
| Ordinary shares | | | | |
| As at beginning of financial year | 710,620,712 | 160,636,626 | 710,620,712 | 160,636,626 |
| Exercise of warrants | - | - | - | - |
| As at 31 March | 710,620,712 | 160,636,626 | 710,620,712 | 160,636,626 |
| 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 31 March | 25,490,900 | 5,003,269 | 25,490,900 | 5,003,269 |
| Total shares excluding treasury shares as at 31 March | 685,129,812 | 155,633,357 | 685,129,812 | 155,633,357 |

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 218,582,052.

There were no subsidiary holdings as at 31 March 2019 and 31 March 2018.

- 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.**

| | 31-Mar-19 | 31-Dec-18 |
|--|--------------|--------------|
| 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 2018.

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 has adopted new /revised SFRS(I) that are effective for the financial periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) 16 Leases introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognised a Right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

ROU assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the outstanding lease liabilities. On date of initial adoption, ROU assets are measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to leases recognised in the balance sheet as at 31 December 2018.

The Group has applied the simplified transition approach and will not restate comparative amounts for the year ended 31 December 2018.

The Group does not expect the adoption of SFRS(I) 16 to have a significant impact on consolidated income statement. The Group is still in the progress of finalising its assessment of impact arising from adoption of SFRS(I) 16 Leases and thus the finalised impact may differ from the result at the moment.

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 31 Mar 2019 | 2018 | 3 months ended 31 Mar 2019 | 2018 |
| Continuing Operations | | | | |
| Loss per ordinary share for the financial year based on consolidated (loss)/profit attributable to members of the Company (Basic and diluted) | | | | |
| - Basic | (0.41) cents | (0.18) cents | (0.41) cents | (0.18) cents |
| -Diluted | (0.42) cents | (0.18) cents | (0.42) cents | (0.18) cents |
| Based on the weighted average number of shares (Basic) | 685,129,812 | 685,127,863 | 685,129,812 | 685,127,863 |
| Based on the weighted average number of shares (Diluted) | 676,473,097 | 703,175,923 | 676,473,097 | 703,175,923 |

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 | |
|---|-------------|-------------|-------------|-------------|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2019 | 31 Dec 2018 |
| Net asset backing per ordinary share | 27.06 cents | 27.48 cents | 28.63 cents | 28.69 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

1Q19 Overview

For the first quarter ended 31 March 2019 (“**1Q19**”), the Group revenue fell 65% to S\$4.6 million and registered a net loss after tax attributable to shareholders of S\$2.8 million, 123% higher against the loss of S\$1.3 million in 1Q18. As at 31 March 2019, the Group's total equity was S\$185.4 million from S\$188.3 million as at 31 December 2018. The Group has cash and cash equivalent balance of S\$31.4million. The Group is in a net cash position with low debt-to-total equity ratio of 10.8%.

Revenue from Continuing Operations

| S\$'000 | 1Q19 | 1Q18 | Change |
|---|--------------|---------------|---------------|
| Corrosion Prevention (“CP”) | 3,332 | 2,940 | 13% |
| Engineering & Construction (“E&C”) | 1,055 | 9,029 | (88%) |
| Solar Energy | 67 | 1,190 | (94%) |
| Others | 169 | 195 | (12%) |
| Total | 4,622 | 13,355 | (65%) |

The Group's revenue slumped 65% to S\$4.6 million in 1Q19, compared with S\$13.4 million in the previous corresponding period from lower business volumes registered by E&C and Solar Energy segments.

CP segment

Revenue for CP segment increased by 13% to S\$3.3 million in 1Q19 from S\$2.9 million in 1Q18 largely driven by increase work activities from the site operations which helped offset lower volumes from the plant operations.

E&C segment

Revenue for E&C segment slumped 88% year-on-year to S\$1.1 million in 1Q19 from S\$9 million in 1Q18 rendered by both the steel engineering and the modular business as there were no significant projects undertaken in the current quarter compared to the same period last year.

Solar Energy segment

Revenue for the Solar Energy segment fell 94% from S\$1.2 million in 1Q18 to S\$67,000 in 1Q19 as there was no significant carry forward of EPC contracts in the current quarter as compared to the corresponding period last year.

Gross Profit and Gross Margin

Gross Profit from Continuing Operations

| S\$'000 | 1Q19 | 1Q18 | Change |
|--------------|--------------|--------------|-----------|
| CP | 720 | 811 | (11%) |
| SSF | (765) | 764 | NM |
| Solar Energy | (152) | 194 | NM |
| Others | 48 | 74 | (35%) |
| Total | (150) | 1,844 | NM |

For 1Q19, at the Group incurred a gross loss of S\$0.15 million against a gross profit of S\$1.8m in 1Q18. The loss was mainly driven by the significant drop in revenue by the E&C and Solar Energy segments which adversely affected the absorption of operating overhead costs.

CP segment

Notwithstanding a higher revenue, CP segment's gross profit reduced 11% to S\$0.72 million in 1Q19 from S\$0.81 million in 1Q18 from unfavorable business contribution mix. Current quarter saw higher business activities from its site operations which typically has a lower margin as compared to plant operations. In addition, pricing pressures from the marine sector further impacted margins.

E&C segment

A loss of S\$0.77 million was registered for the E&C segment as the significantly lower revenue (as explained above) impacted the absorption of fixed operating overheads resulting in gross loss.

Solar Energy segment

Similarly, the low business volumes in the current quarter affected the absorption of the segment's fixed operating overheads resulting in the gross loss of S\$0.15 million against a gross profit of S\$0.2m in the same period last year.

Other Income

Other income decreased 7% year-on-year from S\$436,000 in 1Q18 to S\$406,000 in 1Q19 mainly due lower service income and scrap material income from the E&C segment and lower interest income due to lower surplus cash placed in fixed deposits

Selling, Distribution, Administrative and Other Operating Expenses

| S\$'000 | 1Q19 | 1Q18 | Change |
|-----------------------------------|--------------|--------------|-------------|
| Selling & Distribution | 180 | 181 | (1%) |
| Administrative | 1,846 | 1,487 | 24% |
| Other OPEX | 1,567 | 2,038 | (23%) |
| Total OPEX | 3,593 | 3,706 | (3%) |

Total operating expenses decreased by 3% year-on-year from S\$3.7 million in 1Q18 to S\$3.6 million in 1Q19, due to lower Other OPEX largely from lower unrealized foreign exchange loss (refer to page 2) due to the unfavorable USD exchange rate movements, a key currency for the solar project in Bangladesh and for the modular business, offset partially by higher administrative expenses from the modular business.

Selling and distribution expenses remained unchanged at S\$180,000 as such expenses are incurred largely by the modular business as it extends its operations to the Australasia region.

Administrative expenses were increased by 24% to S\$1.8 million in 1Q19 from S\$1.4 million in 1Q18 on higher staff, office rental and office related costs for the modular business.

Other OPEX decreased by 15% to S\$1.6 million in 1Q19 from S\$12.0 million in 1Q18 on lower foreign exchange loss which helped negate higher operating expenses of the modular business.

Finance Costs

Finance costs were higher at S\$199,000 in 1Q19, compared with S\$46,000 in 1Q18 due largely to higher bank borrowings for the redevelopment of Hetat factory and office building.

Financial Position and Cash Flow Analysis

Non-current assets decreased S\$0.8 million from S\$147.8 million as at 31 December 2018 to S\$147 million as at 31 March 2019. This was mainly due to decrease in fixed assets of S\$0.6 million from the depreciation expense of S\$1.1 million for the quarter offset partially by additions in capital expenditure in Solar segment.

Current assets decreased S\$0.9 million from S\$88.6 million as at 31 December 2018 to S\$87.7 million as at 31 March 2019. This is largely attributed to:

- a. Increase in cash of \$1.5m due largely from advance payments by customers from the E&C segment of \$4.1m and collections from receivables offset by expenditures to fund works in progress for E&C projects and the operating loss for the quarter.
- b. Decrease in contract assets as projects from the E&C segment were billed and funds received.
- c. Decrease in trade receivables due to collections from customers of the E&C and Solar segments.

Current liabilities of the Group increased S\$2 million from S\$33.2 million as at 31 December 2018 to S\$35.2 million as at 31 March 2019. This was mainly due to:

- a) Increase in contract liabilities of \$4.1 million from advance payments received from customers for progress works on modular construction projects;
- b) Offset by settlement of trade payables and accruals of S\$2 million largely from the E&C segment;

Non-current liabilities remained largely unchanged at S\$16.6 million.

Shareholders' equity decreased \$2.9 million to S\$185.4 million as at 31 March 2019 from S\$188.3 million as at 31 December 2018. The decrease was largely attributed to the loss for the Group in the current quarter.

During 1Q19, the Group recorded a net cash inflow of S\$1.9 million from operating activities from S\$4.1m improvement in changes in working capital largely from collections for works in progress and advance payments from customers for projects offset by using S\$2 million for funding the quarter's loss. There was no significant cash movement resulting from investing activities during the quarter. Net cash used for financing activities of S\$0.4m was the result of settlement of S\$1.1 million of trust receipts offset by drawdown of S\$0.7m of bank loans. After taking into account net foreign currency translation adjustments, the Group recorded a net increase in cash and cash equivalents of S\$1.5 million to S\$31.4 million for 1Q19.

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 year ended 31 December 2018 and the Annual Report FY2018.

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 guided in the 2018 Annual Report, 2019 will continue to be challenging for SHS as it embarks to regroup and right fit the business strategies against the resources and competencies of the Group especially for the E&C and the Solar Energy segments.

For the E&C segment, the steel engineering business is faced with low business volumes for the first half of 2019 and construction and engineering works for sale contracts on hand will start mostly in the second half of 2019. The low business volumes will impact the absorption of fixed operating overheads for the first half of 2019. For the modular construction business segment, as guided earlier, we will close out the loss-making projects by the first half of 2019 and embarked in a moderate manner on new modular contracts from the second quarter of 2019. However as the revenue recognition for these new modular contracts is realized only when the projects are completed, the business will continue to incur and charge high operating period costs and the resultant loss to be reported in the next few periods.

For the Solar Energy segment, amidst the competitive environment, the low business volumes for its roof-top projects faced in the current quarter is expected to continue in the second quarter of 2019.

For the CP segment, higher business volumes is expected in the second quarter of 2019 following the shorter business working days in the first quarter due to the festive month in February.

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 and the reason(s) for the decision.

It is not the Company's policy to declare interim dividends and will only declare dividends at year end subject to company's performance as well as its cash requirements.

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 was one interested person transaction during the three months ended 31 March 2019. This amount is insignificant of the Group's audited net tangible asset as at 31 December 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 Teng Choon Kiat 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 1Q19 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 May 2019