

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

Interim Financial Statements as At and For the Half Year ended 30 June 2021

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SHS Holdings Ltd.
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Interim Financial Statements as At and For the Half Year ended 30 June 2021

(A) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Group First Half Year Ended		Change %
		2021 S\$'000	2020 S\$'000	
<u>Continuing Operations</u>				
Revenue	3	25,177	16,487	53%
Cost of sales and services		(20,578)	(13,543)	52%
Gross profit		<u>4,599</u>	<u>2,944</u>	56%
Other income		1,886	3,120	(40%)
Selling and distribution expenses		(436)	(122)	256%
Administrative expenses		(3,172)	(3,164)	0%
Other operating expenses		(2,739)	(2,503)	9%
Profit from operations		<u>138</u>	<u>275</u>	(50%)
Finance costs		(564)	(521)	8%
Share of loss of associated companies		(119)	147	N/M
Loss before income tax	4	<u>(545)</u>	<u>(99)</u>	452%
Income tax	5	11	87	(87%)
Loss from continuing operations after tax		<u>(534)</u>	<u>(12)</u>	N/M
<u>Discontinued operations #</u>				
Loss from discontinued operations after tax		(4,015)	(3,039)	32%
Loss after income tax		<u>(4,549)</u>	<u>(3,051)</u>	49%
Attributable to:				
Equity holders of the Company				
- Continuing Operations		(439)	82	N/M
- Discontinued Operations		(2,202)	(1,016)	117%
		(2,641)	(934)	183%
Non-controlling interests, net of income tax				
- Continuing Operations		(95)	(94)	1%
- Discontinued Operations		(1,813)	(2,023)	(10%)
		(1,908)	(2,117)	(10%)
		<u>(4,549)</u>	<u>(3,051)</u>	49%

Discontinued operations refer to the solar development business and modular construction business in respect of which the Company has been approached by interested parties or completed its disposal after year end.

(A) **Consolidated Statement of Profit or Loss and Other Comprehensive Income
(cont'd)**

	Group		Change
	First Half Year Ended		
	2021	2020	%
	S\$'000	S\$'000	
Loss after income tax	(4,549)	(3,051)	49%
<u>Other comprehensive (expense)/ income</u>			
Foreign currency translation	(122)	171	(171%)
Total comprehensive loss	<u>(4,671)</u>	<u>(2,880)</u>	62%
Attributable to:			
Equity holders of the Company	(2,734)	(784)	249%
Non-controlling interests, net of income tax	(1,937)	(2,096)	(8%)
	<u>(4,671)</u>	<u>(2,880)</u>	62%
Earnings per shares			
Basic and Diluted (cents)	6	(0.06)	0.01

(B) Statement of Financial Position

	Note	Group		Company	
		30 Jun 2021 S\$'000	31 Dec 2020 S\$'000	30 Jun 2021 S\$'000	31 Dec 2020 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	45,192	47,302	39	50
Investment property	10	-	-	10,300	10,885
ROU Assets		4,378	4,608	1,439	1,520
Investment in subsidiary companies		-	-	34,847	34,847
Investments in associated companies		1,719	1,838	-	-
Other Financial Assets		13,947	13,947	13,892	13,892
Goodwill		8,000	8,000	-	-
Other receivable and prepayments		2,828	2,710	2,828	2,710
		<u>76,064</u>	<u>78,405</u>	<u>63,345</u>	<u>63,904</u>
Current Assets					
Inventories		2,796	2,955	-	-
Land held for development		4,566	4,566	-	-
Contract assets		10,288	9,624	-	-
Trade receivables		12,455	11,482	-	-
Amount due from subsidiaries		-	-	48,799	49,627
Amount due from joint ventures		-	-	-	-
Other receivables and prepayments		6,494	5,568	613	27
Loan receivale from joint ventures		-	-	-	-
amount due from an associated company		-	-	-	-
Fixed deposits		38,132	15,621	38,132	15,621
Cash and bank balances		11,261	16,095	2,015	7,328
		<u>85,992</u>	<u>65,911</u>	<u>89,559</u>	<u>72,603</u>
Assets held for sale		23,618	121,438	-	19,300
		<u>109,610</u>	<u>187,349</u>	<u>89,559</u>	<u>91,903</u>
Total Assets		185,674	265,754	152,904	155,807
LIABILITIES					
Current Liabilities					
Trade payables and accruals		7,015	6,808	343	425
Contract liabilities		940	794	-	-
Other payables		2,131	1,711	438	120
Amount due to related parties		-	-	39	21
Term loans	11	7,453	6,059	-	-
Other amounts due to bankers	11	3,510	3,496	-	-
Provision for taxation		385	424	49	83
		<u>21,434</u>	<u>19,292</u>	<u>869</u>	<u>649</u>
Liabilities directly associated with the assets held for sale		21,091	94,327	-	-
		<u>42,525</u>	<u>113,619</u>	<u>869</u>	<u>649</u>
Non-current Liabilities					
Term loans	11	10,677	11,772	-	-
Lease liabilities		4,656	4,835	1,542	1,605
Deferred taxation		1,732	1,737	1,577	1,577
		<u>17,065</u>	<u>18,344</u>	<u>3,119</u>	<u>3,182</u>
Total Liabilities		59,590	131,963	3,988	3,831
EQUITY					
Share capital	12	160,640	160,640	160,640	160,640
Treasury shares	12	(5,011)	(5,011)	(5,011)	(5,011)
Asset revaluation reserve		12,771	12,771	8,582	8,582
Foreign currency translation reserve		(121)	(878)	-	-
Other reserve		-	-	3,297	3,297
Fair Value reserve		(9,861)	(9,861)	(10,247)	(10,247)
Retained earnings/(Accumulated losses)		(22,059)	(17,483)	(8,345)	(5,285)
		<u>136,359</u>	<u>140,178</u>	<u>148,916</u>	<u>151,976</u>
Non-controlling interests		(10,275)	(6,387)	-	-
Total Equity		126,084	133,791	148,916	151,976
Total Liabilities and Equity		185,674	265,754	152,904	155,807

(C) Consolidated Statement of changes in equity

	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 /(Accumulated losses) S\$'000	Total S\$'000	Non-controlling Interests S\$'000	Total Equity S\$'000
Group										
Balance at 01 January 2021	160,640	(5,011)	12,771	-	(9,861)	(878)	(17,483)	140,178	(6,387)	133,791
Comprehensive income/(loss)	-	-	-	-	-	(93)	(2,641)	(2,734)	(1,937)	(4,671)
Disposal of subsidiary	-	-	-	-	-	850	(1,935)	(1,085)	(1,951)	(3,036)
Balance at 30 June 2021	160,640	(5,011)	12,771	-	(9,861)	(121)	(22,059)	136,359	(10,275)	126,084
Balance at 01 January 2020	160,640	(5,003)	7,456	-	(1,290)	(740)	4,468	165,531	(4,695)	160,836
Comprehensive income/(loss)	-	-	-	-	(9)	159	(934)	(794)	(2,096)	(2,880)
Share buyback	-	(8)	-	-	-	-	-	(8)	-	(8)
Balance at 30 June 2020	160,640	(5,011)	7,456	-	(1,299)	(581)	3,534	164,739	(6,791)	157,948
Company										
Balance at 01 January 2021	160,640	(5,011)	8,582	3,297	(10,247)	-	(5,285)	151,976	-	151,976
Comprehensive income/(loss)	-	-	-	-	-	-	(3,060)	(3,060)	-	(3,060)
Balance at 30 June 2021	160,640	(5,011)	8,582	3,297	(10,247)	-	(8,345)	148,916	-	148,916
Balance at 01 January 2020	160,640	(5,003)	8,582	3,297	(1,676)	-	13,937	179,777	-	179,777
Comprehensive income/(loss)	-	-	-	-	-	-	141	141	-	141
Shares buy-back	-	(8)	-	-	-	-	-	(8)	-	(8)
Balance at 30 June 2020	160,640	(5,011)	8,582	3,297	(1,676)	-	14,078	179,910	-	179,910

(D) Consolidated Statement of cash flows

	Group	
	6 months ended 30 June	2020
	2021	2020
	S\$'000	S\$'000
Cash Flows from Operating Activities		
Loss After income tax from continuing operations	(534)	(12)
Loss After income tax from discontinued operations	(4,015)	(3,039)
Loss After income tax, total	(4,549)	(3,051)
Adjustments for:		
Income tax (income)/expenses recognise in profit & loss	(11)	(87)
Depreciation of property, plant and equipments	3,008	2,240
Depreciation of ROU assets	248	160
Property, plant and equipment written off	1	3
Amortisation of prepaid landlease	90	93
Loss/(gain) on disposal of property, plant and equipments	(65)	(3)
Interest on borrowings	749	588
Interest income	(29)	(146)
Share of loss/(gain) of associated companies	119	(147)
Allowance for doubtful debts	16	2
Allowance for inventory obsolescence	998	314
Inventories written back	-	(611)
Gain from disposal of subsidiary	(494)	(692)
Net foreign currency translation adjustments	(566)	(669)
Operating cash flow before working capital changes	(485)	(2,006)
Changes in working capital		
Inventories	(1,552)	1,081
Receivables, contract assets and prepayment	(4,937)	6,725
Payables and contract liabilities	4,112	(2,958)
Cash (used in)/generated from operations	(2,862)	2,842
Interest paid	(587)	(483)
Interest received	29	146
Income tax payment	(34)	(14)
Net cash (used in)/generated from operating activities	(3,454)	2,491
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(345)	(581)
Proceeds from disposal of property, plant and equipment	65	-
Reduction of other investment	-	936
Amount due from investor	-	(679)
Proceed from disposal of subsidiary	21,732	988
Net cash generated from investing activities	21,452	664
Cash Flows from Financing Activities		
Purchase of treasury shares	-	(8)
Payment for lease liabilities	(358)	(360)
Drawdown/(repayment) of term loan (net)	299	(172)
Drawdown of trusts receipts (net)	14	1,947
Decrease in amount due to associate company	(455)	-
Net cash (used in)/generated from financing activities	(500)	1,407
Effects of exchange rate changes on the balance of cash held in foreign currencies	179	428
Net increase in cash and cash equivalents	17,677	4,990
Cash and cash equivalents at the beginning of the period	31,716	31,092
Cash and cash equivalents at the end of the period	49,393	36,082

E Notes to the interim financial statement

1 General Information

SHS Holdings Ltd. (the “Company”) is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”). These consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The Company’s registered address and principal place of business is at 19 Tuas Avenue 20, Singapore 638830.

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of the Group are the corrosion prevention services, engineering and construction, and solar energy related services.

2 Basis of preparation

2.1 The financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standard Council Singapore. The financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended Standards as set out in note 2.2.

The financial statements are presented in Singapore dollar which is the Company’s functional currency.

2.2 New and amended standards adopted by the Group

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (“SFRS”) and Interpretations of Financial Reporting Standards (“INT FRS”) that are mandatory for the accounting periods beginning on or after 1 January 2021. The adoption of these new and revised SFRS and INT FRS did not result in any substantial change to the Group’s and the Company’s accounting policies and has no significant impact on the financial statements for the current financial reporting period.

2.3 Use of estimates and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Management is of the opinion that there are no critical judgements made in applying the Group’s accounting policies and no assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

3 Segmental reporting

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance of the Group. The Group's reportable operating segments are as follows:

- Engineering & construction
- Corrosion prevention
- Solar energy
- Others

The engineering & construction segment is in the business of designing, engineering and construction of steel, aluminium and glass structures, and the design, construction and manufacturing services in modular construction projects.

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

The solar energy segment specialises in solar energy development and engineering and project management for electrical works.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

3.1 Segment revenues and results

	Corrosion prevention		Engineering & Construction		Solar Energy		Others		Discontinued operations		Continuing operations	
	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020	1H 2021	1H 2020	Total	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue	7,558	6,723	13,523	20,182	5,165	1,842	1	286	(1,070)	(12,546)	25,177	16,487
Segment result	954	1,637	(1,600)	(2,701)	685	7	(311)	(73)	1,696	1,449	1,424	319
Finance cost	(49)	(53)	(669)	(535)	(31)	-	-	-	185	67	(564)	(521)
Share of (loss)/profit of associates, net of tax											(119)	147
Central administration costs and directors' salaries											(3,172)	(3,164)
Other income											1,886	3,120
Losses before tax											(545)	(99)

Revenue reported above represents revenue generated from external customers. Inter-segment sales for 1H2021 was S\$1,655,000 (1H2020: S\$1,409,000). Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' remuneration, share of (losses)/profits of associates and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3 Segmental reporting (cont'd)

3.2 Segment assets and liabilities

	Group	
	<u>30 June</u>	<u>31 Dec</u>
	<u>2021</u>	<u>2020</u>
	S\$'000	S\$'000
Segment assets		
Corrosion prevention	35,322	36,011
Solar energy	7,057	5,467
Engineering & construction	55,494	55,722
Others	64,183	47,116
Total segment assets	162,056	144,316
Assets classified as held for sale:		
- Solar energy development business	-	97,939
- Modular construction business	23,618	23,499
Consolidated assets	185,674	265,754
Segment liabilities		
Corrosion prevention	4,167	5,281
Solar energy	3,283	692
Engineering & construction	27,988	28,904
Others	944	598
Total segment liabilities	36,382	35,475
Liabilities relating to classified as held for sale:		
- Solar energy development business	-	75,689
- Modular construction business	21,091	18,638
Unallocated liabilities:		
- Provision for income tax	385	424
- Deferred tax liabilities	1,732	1,737
Consolidated liabilities	59,590	131,963

3.3 Geographical information

The Group's continuing operations is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations are detailed below.

	Group's revenue from external customers		Group's non-current assets ⁽ⁱ⁾	
	<u>1H 2021</u>	<u>1H 2020</u>	<u>30 June</u>	<u>31 Dec</u>
	S\$'000	S\$'000	<u>2021</u>	<u>2020</u>
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	22,258	14,196	58,185	60,428
Rest of South East Asia ⁽ⁱⁱ⁾	1,063	2,290	3,904	4,026
People's Republic of China	-	-	28	4
Others ⁽ⁱⁱⁱ⁾	1,856	1	-	-
	25,177	16,487	62,117	64,458

(i) Non-current assets exclude other financial assets

(ii) Rest of South East Asia includes Malaysia, Vietnam and Indonesia

(iii) Others include Japan and Europe

4 Loss from Continuing Operations

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

	Group	
	<u>1H 2021</u> S\$'000	<u>1H 2020</u> S\$'000
Other Income	1,215	2,971
Interest Income	29	146
Interest on borrowings	(564)	(454)
Depreciation of property, plant and equipments	(2,526)	(1,629)
Depreciation of ROU assets	(247)	(166)
Gain on disposal of fixed assets	65	3
Foreign exchange gain	577	1,302

5 Income Tax

	Group	
	<u>1H 2021</u> S\$'000	<u>1H 2020</u> S\$'000
Current income tax:		
- Current year	-	-
- Overprovision in respect of prior year	(6)	(37)
	(6)	(37)
Deferred tax:		
- Deferred tax relating to the reversal of temporary differences	(5)	(50)
	(5)	(50)
	<u>(11)</u>	<u>(87)</u>

The corporate income tax applicable to the Company and other Singapore incorporated entities of the Group is 17% (1H2020: 17%).

6 Earnings per share

Earnings per share for profit for the period attributable to the owners of the Company during the period:

	Group	
	<u>1H 2021</u>	<u>1H 2020</u>
<u>Continuing Operations</u>		
(Loss) per ordinary share for the financial year based on consolidated (loss) attributable to members of the Company (Basic and diluted)		
- Basic	(0.06) cents	0.01 cents
-Diluted	(0.06) cents	0.01 cents
Based on the weighted average number of shares (Basic)	685,090,029	685,127,598
Based on the weighted average number of shares (Diluted)	685,090,029	685,127,598

7 Dividend

There is no dividend recommended for the period ended 30 June 2021 (30 June 2020: Nil).

8 Net Asset Value

	GROUP		COMPANY	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net asset backing per ordinary share	19.90 cents	20.46 cents	21.74 cents	22.18 cents
Based on the number of shares in issue, excluding treasury shares	685,098,312	685,098,312	685,098,312	685,098,312

9 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with an aggregate cost amounting to S\$345,000 (30 June 2020: \$581,000).

The Group's leasehold buildings at 81 Tuas South Street 5 and 19 Tuas Avenue 20 were professionally valued by an independent valuer based on open market value as at last financial year and are mortgaged to secure the credit facilities of the Group.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets may be impaired. If any such indication exists, an impairment assessment will be performed accordingly. The recoverable amount of an asset or group of assets is assessed as the higher of its fair value less costs of disposal and its value in use.

Management has concluded that there was no impairment in respect of the property, plant and equipment at the reporting period.

10 Investment Property

	Company	
	<u>30 Jun</u> <u>2021</u> S\$'000	<u>31 Dec</u> <u>2020</u> S\$'000
<u>At cost</u>		
At beginning of the reporting period	14,400	14,400
<u>Accumulated depreciation</u>		
At beginning of the reporting period	3,515	2,344
Depreciation charge	585	1,171
At end of the reporting period	4,100	3,515
<u>Net book value</u>		
At end of the reporting period	10,300	10,885

10 Investment Property (cont'd)

The Group's leasehold building at 81 Tuas South Street 5 leased to certain subsidiaries of the Group to earn leasing revenue. Accordingly, the leasehold building is classified as an investment property on the statement of financial position of the Company. Investment property held for long-term rental yields and/or for capital appreciation, is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The fair value of the investment property disclosed below is measured using valuation inputs categorised as Level 3 in the Fair Value Hierarchy as follows:

	<u>Level 1</u> S\$'000	<u>Level 2</u> S\$'000	<u>Level 3</u> S\$'000	<u>Total</u> S\$'000
<u>30 Jun 2021</u>				
Investment property	-	-	16,200	16,200
<u>31 Dec 2020</u>				
Investment property	-	-	16,200	16,200

The fair value of the investment property is determined based on a valuation by an independent professional valuer at the end of 31 Dec 2020. In determining the fair value, the valuer has used the direct comparison method by referring to market evidence of recent transactions for similar properties.

11 Bank Borrowings

	30 Jun 21 S\$'000	31 Dec 20 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	10,963	9,555
Unsecured	-	-
	<u>10,963</u>	<u>9,555</u>
Amount Repayable after one year, or on demand		
Secured	10,677	11,772
Unsecured	-	-
	<u>10,677</u>	<u>11,772</u>

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\$12.0 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, and corporate guarantee by the Company of S\$9.46 million 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 by the Company for banking facility extended to a subsidiary, Hua Sheng Energy Pte Ltd of approximately S\$10 million.

12 Share Capital

Issued and paid-up Capital

	Group and Company	
	<u>30 June</u>	<u>31 Dec</u>
	<u>2021</u>	<u>2020</u>
	S\$'000	S\$'000
Issued and fully paid, with no par value:		
At beginning of the reporting period		
710,639,212 (2020: 710,639,212) ordinary shares	160,640	160,640
Issuance of shares during the year	-	-
At end of the reporting period		
710,639,212 (2020: 710,639,212) ordinary shares	<u>160,640</u>	<u>160,640</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares, at general meetings of the Company and rank equally with regards to the Company's residual assets.

There were no subsidiary holdings as at 30 June 2021 and 31 December 2020.

Treasury Shares

	Group and Company	
	<u>30 June</u>	<u>31 Dec</u>
	<u>2021</u>	<u>2020</u>
	S\$'000	S\$'000
At beginning of the reporting period	(5,011)	(5,003)
25,540,900 (2020: 25,490,900) treasury shares		
Shares buy-back during the year	-	(8)
Nil (2020: 50,000) ordinary shares		
At end of the reporting period		
25,540,900 (2020: 25,540,900) treasury shares	<u>(5,011)</u>	<u>(5,011)</u>

Number of Issued Shares (excluding Treasury Shares) as at 30 June 2021 is 685,098,312 (31 December 2020: 685,098,312).

There are no 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 subsidiary holdings as at the end of the current financial period reported on.

13 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties during the financial year, on terms agreed between the parties, as shown below.

	Group	
	<u>1H 2021</u>	<u>1H 2020</u>
	S\$'000	S\$'000
(a) Professional fees paid to a firm in which a director is a partner of the firm	146	66
(b) Sales to a related party	4	-
(c) Service income received from an associate	7	150
(d) Manpower supply to an associate	35	8
(e) Key Management personnel compensation		

There were no changes to the key management personnel in 1H 2021. There were no changes to the compensation scheme in 1H 2021.

14 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

15 Subsequent events

There are no known material subsequent events which have resulted in adjustments to this set of interim financial statements.

(F) Other Information Required by Listing Rule Appendix 7.2

1. Review

The consolidated statement of financial position of SHS Holdings Ltd and its subsidiaries as at 30 June 2021 and the related consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the auditors.

2. Review of performance of the Group

Overview

For the first half ended 30 June 2021 (“1H21”), the Group recorded a 53% increase in revenue to S\$25.2 million from S\$16.5 million and a net loss attributable to equity holders of S\$439,000 from a profit of S\$82,000 a year ago.

As at 30 June 2021, the Group’s total equity was S\$126.1 million from S\$133.8 million as at 31 December 2020. The Group has cash and cash equivalents balance of S\$49.4 million. The Group is in a net cash position with low debt-to-total equity ratio of 14.3%.

Consolidated Statement of Profit or Loss

Revenue from Continuing Operations

S\$'000	1H21	1H20	Change
Corrosion Prevention (“CP”)	7,558	6,723	12%
Engineering & Construction (“E&C”)	12,453	7,636	63%
Solar Energy	5,165	1,842	180%
Others	1	286	-100%
Total	25,177	16,487	53%

The Group’s revenue improved by 53% to S\$25.2 million in 1H21, compared with S\$16.5 million in the corresponding period last year. This was mainly due to increase in project revenue from E&C segment and Solar Energy segment in 1H21.

Corrosion Prevention (“CP”) segment

Revenue for the CP segment increased by 12% to S\$7.6 million in 1H21 from S\$6.7 million. The CP segment revenue in the previous corresponding period was impacted by the circuit breaker measures implemented by the Singapore government to combat the Covid-19 pandemic.

Engineering & Construction (“E&C”) segment

Similar to CP Segment, the E&C segment did not record much revenue in last corresponding period due to the circuit breaker measures implemented by the Singapore government. As a result, revenue for the E&C segment increased by 63% to S\$12.5 million in 1H21 from S\$7.6 million in 1H20 with the return of some resemblance of normalcy for us to execute our secured order books in the steel engineering business. The higher revenue for E&C segment was mainly due to the progressive revenue recognition of projects.

Solar Energy segment

Revenue for the Solar Energy segment increased to S\$5.2 million in 1H21 from S\$1.8 million in 1H20 as more focus on distribution solar inverter business in the first half of the year yielded encouraging results.

Gross Profit and Gross Profit Margin

Gross Profit from Continuing Operations

S\$'000	1H21	1H20	Change
CP	2,369	1,591	49%
E&C	1,418	1,137	25%
Solar Energy	1,053	155	NM
Others	(241)	61	NM
Total	4,599	2,944	56%

The Group's gross profit increased by 56% from S\$2.9 million in 1H20 to S\$4.6 million in 1H21, in line with the increase in sales for the period and better GP margin for E&C segment.

CP segment

CP segment recorded a 49% increase in gross profit to S\$2.4 million in 1H21 on the back of the higher revenue of S\$7.6 million and 7% increase in gross profit margin from 24% to 31%. The improvement was mainly due to additional revenue was being negotiated on final settlement where the costs had been fully incurred and booked in prior year.

E&C segment

Gross profit for E&C segment improved from S\$1.1 million in 1H20 to S\$1.4 million in 1H21. However, gross profit margin decreased from 15% to 11%. This was largely driven by several high value projects commenced in 1H21 which generated better margin as compared to the previous period. However, it offset with the cost overrun projects commenced in last year but finalized in 1H21 that pull down the overall margin in 1H21.

Solar Energy segment

For 1H21, improvement in gross profit from S\$155,000 to S\$1.1 million driven by the growing inverter distribution business and more EPC works being carried out during the period. The gross margin increased significantly by 12% from 8% in 1H20 to 20% in 1H21.

Other Income

Other income decreased by 40% year-on-year from S\$3.1 million in 1H20 to S\$1.9 million in 1H21 mainly due to the lower exchange gain on USD, lower government's Jobs Support Scheme and lower interest income in current reporting period but offset with gain on disposal assets which was mainly derived from disposal of unused equipment in CP segment.

Selling, Distribution, Administrative and Other Operating Expenses

S\$'000	1H21	1H20	Change
Selling & Distribution	(436)	(122)	256%
Administrative	(3,172)	(3,164)	Nil
Other OPEX	(2,739)	(2,503)	9%
Total OPEX	(6,347)	(5,789)	10%

Total OPEX in 1H21 was 10% higher.

Total OPEX increase year-on-year from S\$5.8 million in 1H20 to S\$6.3 million in 1H21.

Selling and distribution expenses increased by S\$436,000 in 1H21 due to certain commission payments from inverter trading and distribution business.

Administrative expenses remain comparable.

Other operating expenses increased slightly by 9% mainly due to professional fees, depreciation of revalued property, plant and equipment and other indirect costs related to business activities.

Finance Costs

Finance costs were higher at S\$0.6 million in 1H21 largely due to increase in usage of trust receipts for the E&C segment to support the increased operational activities.

Share of Associates' Results

For 1H21, share of loss from associated companies was S\$119,000 against a profit of S\$147,000 reported in 1H20. The decrease was due to less business activities carried out by one of the associated companies which recently shifted its production to Malaysia.

Consolidated Statement of Financial Position

Non-current assets decreased by S\$2.3 million mainly due to depreciation amounting to S\$2.5 million and offset by addition of assets of S\$0.3 million. The increase in non-current receivable was mainly due to the favorable movement of USD.

Current assets decreased by S\$77.7 million from S\$187.3 million as at 31 Dec 2020 to S\$109.6 million as at 30 June 2021. This was largely attributed to:

- increase in contract assets mainly due to more unbilled recognized in June 2021 by E&C and solar segments.
- increase in receivables mainly due to the slow collections and higher sales in June 2021 by E&C segment.
- decrease in assets held for sales was mainly due to completion of the disposal of Bangladesh development project.
- Increase in cash and bank balances mainly due to collection from customers and proceeds from disposal of Bangladesh development project of S\$20 million and proceeds from disposal of Solar NT of S\$1.3 million but offset with working capital use amounted S\$3.7 million.

- Increase in other receivables of approximately S\$0.9 million was mainly due to advances to suppliers.

Current liabilities of the Group decreased by S\$71.1 million from S\$113.6 million as at 31 Dec 2020 to S\$42.5 million as at 30 June 2021. This was largely attributed to:

- Decrease in liabilities directly associated with the assets held for sales of S\$75.2 million mainly due to completion of the disposal of Bangladesh development project.
- Increase in trade payables and accruals mainly due to increase in purchases for projects.
- Increase in term loan due to reclassification from non-current to current of S\$1.1 million, additional money market loan (“MML”) withdrawal of S\$1.0 million offset by repayment of S\$0.7 million.
- Increase in contract liabilities mainly due to recognition of deferred revenue for project in E&C and solar segments.

Non-current liabilities decreased mainly due to reclassification of term loan.

Shareholders’ equity decreased by S\$3.8 million to S\$136.4 million as at 30 June 2021 from S\$140.2 million as at 31 December 2020. The decrease was largely attributed to the loss for the year and movement in foreign currency reserve with the disposal of Bangladesh Development project.

Consolidated Statement of Cash Flows

During 1H21, the Group recorded a net cash inflow of S\$17.7 million due to:-

- Net cash used in operating activities of S\$3.5 million with the changes in working capital of S\$2.9 million.
- Net cash generated from investing activities amounted to S\$21.5million in 1H21 mainly due to the collection from disposal of Bangladesh solar project as mentioned above but partially offset with capital expenditure for the Group.
- Net cash used in financing activities in 1H21 was mainly to drawdown of MML of S\$1.0 million offset with repayment of term loan of S\$0.7 million and lease payment of S\$358,000.

After taking into account the above net cash flows and net foreign currency translation adjustments, the Group’s cash and cash equivalents as at 30 June 2021 stood at a healthy sum of S\$49.4 million.

3. 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 2020.

4. 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.

The Monetary Authority of Singapore, on 30 June 2021 during the release of its Annual Report 2020/2021, projected that Singapore's economic growth could exceed the upper end of the official 4% to 6% forecast range this year, citing strengthening global demand and progress in the city-state's Covid-19 vaccination programme, barring a setback to the global economy.

As the Covid-19 situation is improving in first half of Year 2021, the Government's support to the business community reduces as compared to last year. Henceforth, we do not expect huge funding support from the Government.

However, since then the emergence of several clusters and growing number of community cases due to the surge in the Covid-19 Delta variant cases resulted in a tightening of border control measures and restriction of workers from South Asian nations from entering Singapore, which exacerbates the manpower shortage issue in Singapore.

For the E&C segment, the steel engineering business was on track with its existing contracts on hand, our engineering steel business may be able to deliver some results as we have secured significant order books on hand to last us this year and the next financial year. Nevertheless, budgeted project costs of ongoing projects are expected to increase due to delays in project schedules, the "heightened caution" approach taken to work on the projects at a lower level of productivity due to government safety measures and additional costs incurred to comply with the measures. As for the modular construction business segment comprising TLC Group, as earlier reported, we are working towards completion of the proposed sale of our 60% equity interests upon its approval by shareholders in an EGM held on 29 April 2021.

For the Solar Energy segment, our roof-top solar projects and distribution of solar panels together with its peripherals are expected to see some improvements in next 12 months with more orders expected from overseas barring unforeseen circumstances and no massive lockdown in other countries. As for solar development project, we erred on the side of caution and have not committed to any new projects though we are actively looking at prospects.

For the CP segment, we garnered more work orders from major shipyards in the marine and offshore sector in the beginning of the year. And with the returning to a more orderly Covid-19 controlled routine, especially the deployment of our foreign workers, we strive to overcome the challenges with a "heightened caution" approach.

Each of our business segments will continue to be susceptible to Covid-triggered increases in our operating costs - in particular steel and labour costs which are significant cost components for our E&C segment and all business segments respectively.

Overall, the Group is closely monitoring the situation and will take appropriate steps to mitigate the major risks of disruptions to our operations arising from both local and global impact of Covid-19. Hence, this year is still a "contest between the virus and the vaccine."

5. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No

5. Dividend (cont'd)

(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) Record date

Not applicable.

6. 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.

7. 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 three interested person transactions during the six-month ended 30 June 2021 with aggregate value less than S\$100,000. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

8. 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 first half year ended 2021 interim financial statements to be false or misleading in any material respect.

9. 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
12 August 2021