

SHS Holdings Ltd.

(Company Registration No. 197502208Z)

Unaudited Financial Statement Announcement for the Third Quarter 2016

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

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

	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
	2016 S\$'000	2015 S\$'000 Restated*	Change %	2016 S\$'000	2015 S\$'000 Restated*	Change %
Continuing Operations						
Revenue	12,200	19,253	(37%)	38,843	43,074	(10%)
Cost of sales and services	(8,551)	(13,952)	(39%)	(29,300)	(32,370)	(9%)
Gross profit	<u>3,649</u>	<u>5,301</u>	(31%)	<u>9,543</u>	<u>10,704</u>	(11%)
Other income	790	31	N/M	2,054	483	325%
Selling and distribution expenses	(143)	(216)	(34%)	(493)	(625)	(21%)
Administrative expenses	(2,028)	(2,418)	(16%)	(6,576)	(7,153)	(8%)
Other operating expenses	(942)	(2,618)	(64%)	(2,909)	(5,019)	(42%)
Profit/(loss) from operations	<u>1,326</u>	<u>80</u>	N/M	<u>1,619</u>	<u>(1,610)</u>	N/M
Finance costs	(28)	(16)	75%	(95)	(63)	51%
Share of profit of associated companies	35	10	250%	365	94	288%
Profit/(loss) before income tax	<u>1,333</u>	<u>74</u>	N/M	<u>1,889</u>	<u>(1,579)</u>	N/M
Income tax	46	(362)	N/M	100	(426)	N/M
Profit/(loss) from continuing operations after tax	<u>1,379</u>	<u>(288)</u>	N/M	<u>1,989</u>	<u>(2,005)</u>	N/M
Discontinued operations #						
Profit from discontinued operations after tax	169	2,146	(92%)	7,725	7,793	(1%)
Profit after income tax	<u>1,548</u>	<u>1,858</u>	(17%)	<u>9,714</u>	<u>5,788</u>	68%
Attributable to:						
Equity holders of the Company						
- Continuing Operations	1,347	(267)	N/M	2,002	(1,986)	N/M
- Discontinued Operations	169	2,172	(92%)	7,725	7,809	(1%)
	1,516	1,905	(20%)	9,727	5,823	67%
Non-controlling interests, net of income tax						
- Continuing Operations	32	(21)	N/M	(13)	(19)	(32%)
- Discontinued Operations	-	(26)	(100%)	-	(16)	(100%)
	<u>32</u>	<u>(47)</u>	N/M	<u>(13)</u>	<u>(35)</u>	(63%)
	<u>1,548</u>	<u>1,858</u>	(17%)	<u>9,714</u>	<u>5,788</u>	68%

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

Statement of Comprehensive Income

	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
	2016 S\$'000	2015 S\$'000	Change %	2016 S\$'000	2015 S\$'000	Change %
Profit after income tax	1,548	1,858	(17%)	9,714	5,788	68%
<u>Other comprehensive income</u>						
Foreign currency translation	(367)	423	N/M	(335)	407	(182%)
	<u>(367)</u>	<u>423</u>	N/M	<u>(335)</u>	<u>407</u>	N/M
Total comprehensive income	<u>1,181</u>	<u>2,281</u>	(48%)	<u>9,379</u>	<u>6,195</u>	51%
Attributable to:						
Equity holders of the Company	1,151	2,332	(51%)	9,391	6,237	51%
Non-controlling interests, net of income tax	30	(51)	N/M	(12)	(42)	(71%)
	<u>1,181</u>	<u>2,281</u>	(48%)	<u>9,379</u>	<u>6,195</u>	51%

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

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

	Note	Group 3 months ended 30 Sep			Group 9 months ended 30 Sep		
		2016 S\$'000	2015 S\$'000 Restated	Change %	2016 S\$'000	2015 S\$'000 Restated	Change %
Other Income	1	209	54	286%	698	347	101%
Dividend income	2	-	-	N/M	334	127	163%
Interest Income	3	226	1	N/M	736	20	N/M
Interest on borrowings	4	(28)	(7)	293%	(95)	(54)	76%
Depreciation	5	(726)	(836)	(13%)	(2,287)	(2,489)	(8%)
Fixed assets written off		(1)	(1)	(17%)	(2)	(2)	(9%)
Gain/(loss) on disposal of fixed assets		2	(24)	(108%)	6	(11)	(155%)
Amortisation of intangible assets	6	(14)	(263)	(95%)	(43)	(467)	(91%)
Write-back/(Allowance) on allowance for doubtful debts		-	(1,147)	N/M	27	(1,147)	(102%)
Stock written back		-	1	(100%)	1	2	(44%)
Foreign exchange gain/(loss)	7	353	(95)	(471%)	280	(147)	(290%)

- 1) The increase was largely due to income from the sale of scrap materials from SSF segment.
- 2) The dividend income was derived from an investment fund.
- 3) The increase was mainly due to interests earned from the unutilised cash consideration from the divestment of the RP business placed in fixed deposits.
- 4) The increase was mainly due to higher cost of borrowings.
- 5) The decrease was mainly due to more assets had been fully depreciated.
- 6) The decrease was mainly due to Group amortisation in relation to the fair value of Hetat's order book at acquisition as required by FRS 103 no longer required as substantially the order book at acquisition had been substantially amortised in the previous year.
- 7) The increase was mainly due to unrealized exchange gain from the Mongolian Tugriks 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 Sep	31 Dec	30 Sep	31 Dec
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	35,214	27,138	8,559	8,995
Subsidiary companies	-	-	53,447	53,447
Associated companies	22,522	20,112	7,003	4,965
Financial assets, available-for-sale	19,712	19,712	17,136	17,136
Intangible assets	67	110	-	-
Goodwill	26,450	26,450	-	-
	<u>103,965</u>	<u>93,522</u>	<u>86,145</u>	<u>84,543</u>
Current Assets				
Stock and work-in-progress	7,382	4,083	-	-
Trade receivables	20,557	23,518	358	1,533
Amount due from related parties	-	-	31,017	12,690
Other receivables	24,607	20,932	17,803	17,714
Loan to related party	600	600	-	-
Fixed deposits	59,000	1,531	59,000	1,531
Cash and bank balances	19,325	102,224	5,560	90,691
	<u>131,471</u>	<u>152,888</u>	<u>113,738</u>	<u>124,159</u>
Total Assets	235,436	246,410	199,883	208,702
LIABILITIES				
Current Liabilities				
Trade payables and accruals	7,799	14,041	797	3,453
Other payables	2,612	2,383	297	338
Amount due to related parties	-	-	5,837	6,700
Term loans	-	150	-	-
Other amounts due to bankers	5,034	6,229	-	-
Hire purchase creditors	116	210	-	-
Provision for taxation	588	858	9	35
	<u>16,149</u>	<u>23,871</u>	<u>6,940</u>	<u>10,526</u>
Non-current Liabilities				
Hire purchase creditors	316	386	-	-
Deferred taxation	2,146	2,202	707	707
	<u>2,462</u>	<u>2,588</u>	<u>707</u>	<u>707</u>
Total Liabilities	18,611	26,459	7,647	11,233
EQUITY				
Share capital	160,636	143,730	160,636	143,730
Treasury shares	(5,003)	(3,226)	(5,003)	(3,226)
Asset revaluation reserve	1,748	1,748	2,874	2,874
Foreign currency translation reserve	1,064	1,400	-	-
Other reserve	-	-	3,297	3,297
Revenue reserve	57,436	75,450	30,432	50,794
	<u>215,881</u>	<u>219,102</u>	<u>192,236</u>	<u>197,469</u>
Non-controlling interests	944	849	-	-
Total Equity	216,825	219,951	192,236	197,469
Total Liabilities and Equity	235,436	246,410	199,883	208,702

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

	30-Sep-16 S\$'000	31-Dec-15 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	5,150	6,589
Unsecured	-	-
	5,150	6,589
Amount Repayable after one year, or on demand		
Secured	316	386
Unsecured	-	-
	316	386

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 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.
- iv) A corporate guarantee of US\$1.3 million for banking facilities extended to Aenergy Holdings Company Limited of approximately US\$5.2 million.
- v) Fixed assets under hire purchase arrangements.

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

	Group		Group	
	3 months ended 30 Sep		9 months ended 30 Sep	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Operating Activities				
Profit/(loss) before income tax from continuing operations	1,333	74	1,889	(1,579)
Profit before income tax from discontinued operations	169	2,861	7,725	9,506
Profit before income tax, total	1,502	2,935	9,614	7,928
Adjustments for:				
Depreciation	726	1,177	2,287	3,505
Fixed assets written off	1	3	2	8
Amortisation of intangible assets	14	263	43	467
(Gain)/loss on disposal of fixed assets	(2)	19	(6)	-
Interest on borrowings	28	296	95	833
Interest income	(226)	(15)	(736)	(52)
Share of profit of associated companies	(35)	(10)	(365)	(94)
Gain on disposal of subsidiary	(169)	-	(7,725)	-
(Write back)/allowance for doubtful debts	-	1,178	(27)	1,517
Allowance for inventory obsolescence	-	(2)	-	192
Dividend income	-	-	(334)	(127)
Bad debts expense	-	37	-	43
Inventories written off	-	57	(1)	84
Net foreign currency translation adjustments	(275)	(716)	(252)	289
Operating cash flow before working capital changes	1,564	5,222	2,595	14,593
Changes in working capital				
Inventories and work-in-progress	(2,766)	(719)	(3,268)	(635)
Receivables	5,500	6,000	(687)	12,641
Payables	(1,426)	2,689	(6,012)	(3,704)
Cash (used in)/generated from operations	2,872	13,192	(7,372)	22,895
Interest paid	(28)	(296)	(95)	(833)
Interest received	226	8	736	32
Income tax payment	(127)	(964)	(226)	(2,573)
Net cash (used in)/generated from operating activities	2,943	11,940	(6,957)	19,521
Cash Flows from Investing Activities				
Dividend received	-	-	334	127
Purchase of property, plant and equipment	(5,437)	(1,219)	(10,624)	(1,929)
Proceeds from disposal of property, plant and equipment	(4)	14	236	54
Net cash inflow on disposal of subsidiary (discontinued operations)	169	-	7,725	-
Investment in a joint venture	-	-	(7)	-
Additional investment in associated company	(2,039)	-	(2,039)	-
Net cash used in investing activities	(7,311)	(1,205)	(4,375)	(1,748)
Cash Flows from Financing Activities				
Net proceeds from issue of shares	-	-	16,906	10
Purchase of treasury shares	-	-	(1,777)	-
Dividends paid	-	-	(27,741)	(5,659)
Fixed deposit discharge/(pledges) with bank	-	(36)	1,200	(51)
Fund repayment to hire purchase	(52)	102	(165)	13
Repayment to term loan	-	(336)	(150)	(1,077)
Repayment to trusts receipts	1,391	5,444	(1,194)	1,459
Capital contribution from non-controlling interest	0	-	107	120
Net cash used in financing activities	1,339	5,174	(12,814)	(5,185)
Net foreign currency translation adjustments	(93)	49	(84)	(165)
Net (decrease)/increase in cash and cash equivalents	(3,122)	15,958	(24,230)	12,423
Cash and cash equivalents at the beginning of the period	81,447	32,085	102,555	35,620
Cash and cash equivalents at the end of the period	78,325	48,043	78,325	48,043

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 2016	143,730	(3,226)	1,748	-	1,400	75,450	219,102	849	219,951
Comprehensive income	-	-	-	-	(336)	9,727	9,391	(12)	9,379
Exercise of warrants	16,906	-	-	-	-	-	16,906	-	16,906
Dividends paid	-	-	-	-	-	(27,741)	(27,741)	-	(27,741)
Share buyback	-	(1,777)	-	-	-	-	(1,777)	-	(1,777)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	107	107
Balance at 30 September 2016	160,636	(5,003)	1,748	-	1,064	57,436	215,881	944	216,825
Balance at 01 January 2015	143,625	(3,226)	2,508	(16,687)	1,172	23,358	150,750	1,497	152,247
Comprehensive income	-	-	-	-	414	5,823	6,237	(42)	6,195
Exercise of warrants	10	-	-	-	-	-	10	-	10
Disposal of property, plant and equipment	-	-	(253)	-	-	253	-	-	-
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	120	120
Balance at 30 September 2015	143,635	(3,226)	2,255	(16,687)	1,586	23,775	151,338	1,575	152,913
Company									
Balance at 01 January 2016	143,730	(3,226)	2,874	3,297	-	50,794	197,469	-	197,469
Comprehensive income	-	-	-	-	-	7,379	7,379	-	7,379
Dividends paid	-	-	-	-	-	(27,741)	(27,741)	-	(27,741)
Share buyback	-	(1,777)	-	-	-	-	(1,777)	-	(1,777)
Exercise of warrants	16,906	-	-	-	-	-	16,906	-	16,906
Balance at 30 September 2016	160,636	(5,003)	2,874	3,297	-	30,432	192,236	-	192,236
Balance at 01 January 2015	143,625	(3,226)	2,874	-	-	(1,909)	141,364	-	141,364
Comprehensive income	-	-	-	-	-	6,266	6,266	-	6,266
Exercise of warrants	10	-	-	-	-	-	10	-	10
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Balance at 30 September 2015	143,635	(3,226)	2,874	-	-	(1,302)	141,981	-	141,981

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

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

	2016		2015	
	Number of shares	S\$	Number of shares	S\$
Ordinary shares				
As at beginning of financial year	626,087,386	143,729,961	625,561,178	143,624,719
Exercise of warrants	84,530,775	16,906,155	52,000	10,400
As at 30 September	710,618,161	160,636,116	625,613,178	143,635,119
Treasury shares				
As at beginning of financial year	17,100,000	3,225,724	17,100,000	3,225,724
Share buy-back	8,390,900	1,777,545	-	-
As at 30 September	25,490,900	5,003,269	17,100,000	3,225,724
Total shares excluding treasury shares as at 30 September	685,127,261	155,632,847	608,513,178	140,409,395

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 S\$0.20. 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 30 September 2016, the unissued ordinary shares of the Company under warrants were 218,584,603.

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

	30-Sep-16	31-Dec-15
Total number of shares (including treasury shares)	710,618,161	626,087,386
Less treasury shares	(25,490,900)	(17,100,000)
Total number of shares (excluding treasury shares)	<u>685,127,261</u>	<u>608,987,386</u>

- 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.

- 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 2015.

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

None.

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

	Group		Group	
	3 months ended 30 Sep 2016	2015	9 months ended 30 Sep 2016	2015
	Restated		Restated	
Continuing Operations				
Profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic	0.21 cents	(0.04) cents	0.31 cents	(0.33) cents
-Diluted	0.20 cents	(0.04) cents	0.29 cents	(0.31) cents
Based on the weighted average number of shares (Basic)	642,970,762	605,874,361	642,970,762	605,874,361
Based on the weighted average number of shares (Diluted)	679,959,046	644,083,939	679,959,046	644,083,939

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

	GROUP		COMPANY	
	30 Sep 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
Net asset backing per ordinary share	31.51 cents	35.98 cents	28.06 cents	32.43 cents
Based on the number of shares in issue, excluding treasury shares	685,127,261	608,987,386	685,127,261	608,987,386

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

3Q16 Overview

For the third quarter ended 30 September 2016 ("3Q16"), the Group recorded a 37% decrease in revenue from continuing operations to S\$12.2 million and a net profit attributable to equity holders of S\$1.3 million. This compares with a net loss after tax of S\$267,000 a year ago. Profit from discontinued operations after tax was S\$169,000 in 3Q2016 compared to S\$2.2 million in 3Q2015. Discontinued operations relates to the Refined Petroleum Business, which was divested in FY 2015. In 3Q2016, the Group received S\$169,000 for the post completion payment from the acquirer, Brenntag.

For the 9 months ended 30 September 2016 ("9M16"), the Group achieved revenue from continuing operations of S\$38.8 million, a decrease of 10% from 9M15, and a net profit attributable to equity holders from continuing operations of S\$2.0 million. This compares with a net loss after tax from continuing operations of S\$2.0 million a year ago. Profit from discontinued operations after tax was S\$7.7 million as explained above, compared to S\$7.8 million in the corresponding period last year. As a result, Group's net profit attributable to equity holders for 9M16 was S\$9.7 million, an increase of 67% against the S\$5.8 million achieved in the corresponding period last year.

As at 30 September 2016, the Group's total equity stood at S\$216.8 million compared to S\$219.9 million as at 31 December 2015. The Group has cash, fixed deposits and cash equivalent balance of S\$78.3 million. It is in a net cash position with low debt-to-total equity ratio of 2.5%.

Revenue from Continuing Operations

S\$'000	3Q16	3Q15	Change	9M16	9M15	Change
Corrosion Prevention ("CP")	3,792	6,227	(39%)	14,207	16,978	(16%)
Structural Steel & Facade ("SSF")	7,661	13,021	(41%)	23,150	25,252	(8%)
Solar Energy	482	-	NM	628	-	NM
Others	265	5	NM	858	844	2%
Total	12,200	19,253	(37%)	38,843	43,074	(10%)

The Group's revenue declined 37% to S\$12.2 million in 3Q16, compared with S\$19.3 million in the previous corresponding period. This was mainly due to lower revenue contribution from the CP and SSF segments.

CP segment

Revenue for CP segment decreased by 39% to S\$3.8 million in 3Q16 from S\$6.2 million in 3Q15. For 9M16, revenue declined 16% to S\$14.2 million, from S\$17.0 million in 9M15. Crude oil prices remain volatile and depressed, which significantly dampened capital expenditure spending in the marine, offshore, oil and gas sectors. Coupled with the oversupply of offshore rigs and vessels, projects from shipyards were pushed back, which continued to affect our CP business.

SSF segment

Revenue for SSF segment decreased by 41% to S\$7.7 million in 3Q16 from S\$13.0 million in 3Q15, on the back of challenging trading conditions and the loss of a production line as the Group is redeveloping its SSF plant in Tuas. Similarly for 9M16, revenue declined by 8% to S\$23.2 million, from S\$25.3 million in 9M15.

Solar Energy segment

The Solar Energy segment achieved revenue amounting to S\$482,000 in 3Q16. Revenue is mainly from the construction of the 4MW solar project for Singapore Airport Terminal Services ("SATS") in Singapore. For 9M16, the Solar Energy segment recorded revenue of S\$628,000.

Gross Profit and Gross Margin

Gross Profit From Continuing Operations

S\$'000	3Q16	3Q15	Change	9M16	9M15	Change
Corrosion Prevention	1,239	2,062	(40%)	4,091	4,704	(13%)
Structural Steel & Facade	2,201	3,182	(31%)	5,047	5,797	(13%)
Solar Energy	98	-	NM	34	-	NM
Others	111	57	93%	371	203	84%
Total	3,649	5,301	(31%)	9,543	10,704	(11%)

For 3Q16, the Group's gross profit declined by 31% to S\$3.6 million, from S\$5.3 million in 3Q15. The decline was mainly due to the lower revenue achieved by its CP and SSF segments. The Group's gross margin improved from 27.5% in 3Q15 to 30.0% in 3Q16, mainly due to the higher margin projects recognized in the SSF segment, despite the weaker revenue.

For 9M16, gross profit was 11% lower at S\$9.5 million, compared with S\$10.7 million in 9M15. This was mainly attributable to lower revenue recorded during the period. Gross margin for 9M16 declined marginally to 24.6%, from 24.8% in 9M15, despite higher margin projects from the SSF segment, as the Solar Energy segment started operations in 9M16.

CP segment

CP segment's gross profit was lower at S\$1.2 million in 3Q16. GP margin declined slightly to 32.7% from 33.1% a year ago. The decline was mainly due to lower revenue recognized by the segment.

For 9M16, the CP segment achieved gross profit of S\$4.1 million, 13% lower from the S\$4.7 million achieved in 9M15, on the back of lower revenue recorded during the period. Gross profit margin improved from 27.7% in 9M15, to 28.8% in 9M16, mainly due lower reliance of subcontractors for the site projects.

SSF segment

Gross profit from the SSF segment decreased from S\$3.2 million in 3Q15 to S\$2.2 million in 3Q16. Although gross profit was lower due to the lower revenue achieved, the SSF segment was able to improve gross margins, with recognition of its higher margin projects. Gross margin was 28.7% in 3Q16, up from 24.4% in 3Q15.

For 9M16, gross profit from the SSF segment was S\$5.0 million, compared with S\$5.8 million in 9M15. Gross profit margin was 21.8% in 9M16, lower than the 23.0% achieved in 9M15, largely due to the stiff competition in the construction sector.

Solar Energy segment

Due to progressive recognition of the construction of the SATS project, the Solar Energy segment recorded a gross profit of S\$98,000 in 3Q16 with a gross profit margin of 21.8%. For 9M16, the Group incurred some startup expenses for this segment. As a result, 9M16 gross profit was S\$34,000, while gross profit margin was 5.7%.

Other Income

Other income increased from S\$31,000 in 3Q15 to S\$0.8 million in 3Q16. This was mainly attributable to higher income from the sale of scrap materials from the SSF segment, higher interests earned from surplus cash from the divestment of the RP business placed in fixed deposits and foreign exchange gain.

For 9M16, other income jumped to S\$2.1 million, from S\$483,000 in 9M15. The increase was mainly attributable to higher income from the sale of scrap materials from the SSF segment, dividend income received, higher interest earned from surplus cash from the divestment of the RP business placed in fixed deposits and foreign exchange gain.

Selling, Distribution, Administrative and Other Operating Expenses

S\$'000	3Q16	3Q15	Change	9M16	9M15	Change
Selling & Distribution	(143)	(216)	(34%)	(493)	(625)	(21%)
Administrative	(2,028)	(2,418)	(16%)	(6,576)	(7,153)	(8%)
Other OPEX	(942)	(2,618)	(64%)	(2,909)	(5,019)	(42%)
Total OPEX	(3,113)	(5,252)	(41%)	(9,978)	(12,797)	(22%)

Total operating expenses decreased by 41% from S\$5.3 million in 3Q15 to S\$3.1 million in 3Q16. This was mainly due to cost savings from the Group's continuing cost rationalization efforts, the absence of amortization costs in relation to the fair value of order book of S\$249,000 in 3Q15 and the absence of the write of doubtful debts of \$1.1 million in 3Q15.

Similarly, for 9M16, total operating expenses fell 22% to S\$10.0 million from S\$12.8 million for the same reasons above.

Finance Costs

Finance costs were slightly higher at S\$28,000 in 3Q16, compared with S\$16,000 in 3Q15 due to higher costs of borrowings. Similarly, finance costs in 9M16 were S\$95,000, compared with S\$63,000 in 9M15, due to higher costs of borrowings during the period.

Share of Associates' Results

Share of profit of associated companies was S\$35,000 in 3Q16, up from S\$10,000 in 3Q15. This was mainly derived from the Heron Bay project, with another two unit released to homebuyers, and share of profit from Aenergy.

The improved performance from the Heron Bay project also helped increase the share of associates' results for 9M16 to S\$365,000, from S\$94,000 in 9M15.

Financial Position and Cash Flow Analysis

Non-current assets increased by S\$10.4 million from S\$93.5 million as at 31 December 2015 to S\$104.0 million as at 30 September 2016. This was mainly due to an increase of S\$8.1 million in property, plant and equipment ("PPE"), as well as additional investment in an associate company (Aenergy Holdings Co. Ltd) in relation to new equity call for the mini hydro-power projects in Indonesia. The increase in PPE was mainly from the redevelopment of the SSF factory at 19 Tuas Avenue 20 and progressive acquisition of land for the Bangladesh solar project, offset by the depreciation of PPE.

Current assets decreased by S\$21.4 million, from S\$152.9 million as at 31 December 2015 to S\$131.5 million as at 30 September 2016. This was mainly due to lower cash and cash equivalents and lower trade receivables, offset by higher inventories and work-in-progress and other receivables. Cash and cash equivalents decreased mainly due to working capital financing amounting to S\$7.4 million, purchase of PPE of S\$10.6 million, additional investment in associated company of S\$2.0 million and payment of dividends amounting to S\$27.7 million. These outflows were partially offset by cash inflow from conversion of warrants of S\$16.9 million and receipts from post completion adjustment from the sale of RP business of S\$7.7 million.

Current liabilities decreased by S\$7.7 million from S\$23.9 million as at 31 December 2015 to S\$16.1 million as at 30 September 2016. This was mainly due to a decrease in trade payables and accruals, and other amounts due to bankers.

Non-current liabilities decreased slightly to S\$2.5 million as at 30 September 2016 from S\$2.6 million as at 31 December 2015.

Shareholders' equity decreased to S\$215.9 million as at 30 September 2016 from S\$219.1 million as at 31 December 2015. In 9M16, the decrease was mainly due to the payment of dividends of S\$27.7 million, share buyback of S\$1.8 million, offset by increase in share capital of S\$16.9 million from the conversion of warrants and the cumulative profit for the nine months of S\$9.7m.

During 9M16, the Group recorded a net cash outflow of S\$7.0 million from operating activities after deducting S\$10.0 million for changes in working capital.

Net cash used in investing activities amounted to S\$4.4 million in 9M16, mainly due to purchase of PPE amounting to S\$10.6 million and additional investment in associated company amounting to S\$2.0 million, partially offset by cash proceeds of S\$7.7 million from the disposal of subsidiary.

Net cash used in financing activities in 9M16 was S\$12.8 million, mainly due to payment of dividends of S\$27.7 million, settlement of trust receipts of S\$1.2 million and share buyback of S\$1.8 million. This was partially offset by cash proceeds from the conversion of warrants of S\$16.9 million and release of pledged fixed deposits of S\$1.2 million.

After taking into account net foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$24.2 million for 9M16 to S\$78.3 million.

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

The current announced results are in line with the prospect commentary previously disclosed to shareholders in the results announcement for the period ended 30 June 2016.

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.

The Group expects business environment to be challenging for its core businesses in the next reporting period and the next 12 months due to the current depressed global economic outlook, the slump in oil prices and the highly competitive landscape.

In particular, its Corrosion Prevention ("CP") business will continue to be impacted by a depressed marine, and offshore sector. However, the Group's efforts to rationalise its cost structure, enhance productivity, expand and diversify its customer base have mitigated the impact of lesser revenue.

The Structural Steel Facade ("SSF") segment continues to face margin pressure in an increasingly competitive industry. This is exacerbated by the loss of a production line as the Group is redeveloping its SSF plant in Tuas.

Its solar energy subsidiary, Sinenergy Pte Ltd, is currently constructing a 4MW solar plant for SATS housed under the Group's special purpose vehicle, Changi Mega Solar Pte Ltd, which will provide a steady income for the Group when it is commissioned by the first half of 2017. On 27 October 2016, the Group announced that Sembcorp Utilities Pte Ltd acquired a 49% stake in Changi Mega Solar Pte Ltd, to design, build, finance, own and operate a grid-tied solar photovoltaic system for the SATS Airfreight Terminal at Changi Airport.

On 19 October 2016, the Group, through its subsidiary HDFC SinPower Limited ("HDFC"), officially signed the Power Purchase Agreement ("PPA") with the Bangladesh Power Development Board, as well as an Implementation Agreement with the Government of the People's Republic of Bangladesh and the Power Grid Company of Bangladesh Ltd, for a 50MW solar power plant in Sutiakhali, Bangladesh. Tariff for all electric energy purchases was fixed at US\$0.17/kWh for 20 years. The construction of the Plant, estimated to be between US\$70-80 million, is to be completed within 18 months.

The Group will continue to counter the challenging business environment by exploring and implementing all measures that increase operational efficiency and reduce costs, and be vigilant and ready to respond to challenges in a volatile business environment.

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

Not applicable.

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

There were ten interested person transactions, which comprise eight sale transactions of S\$11,800 and two purchase transactions of S\$19,500 with a total of S\$31,300 during the three months ended 30 September 2016. For the nine month ended 30 September 2016, there were fifty-one interested person transactions totalling S\$631,000. This represents 0.33% of the Group's audited net tangible asset as at 31 December 2015. 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 3Q16 financial statements to be false or misleading in any material respect.

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

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

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Group CEO
9 November 2016