

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

Unaudited Financial Statement Announcement for the Second Quarter 2015

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			Group		
	3 months ended 30 Jun			6 months ended 30 Jun		
	2015	2014	Change	2015	2014	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	94,960	93,863	1%	245,821	179,144	37%
Cost of sales and services	(82,146)	(78,827)	4%	(219,439)	(148,388)	48%
Gross profit	<u>12,814</u>	<u>15,036</u>	(15%)	<u>26,382</u>	<u>30,756</u>	(14%)
Other income	435	383	14%	842	932	(10%)
Selling and distribution expenses	(2,351)	(2,976)	(21%)	(5,152)	(5,795)	(11%)
Administrative expenses	(5,426)	(5,106)	6%	(10,741)	(10,382)	3%
Other operating expenses	(3,570)	(2,961)	21%	(5,885)	(6,116)	(4%)
Profit from operations	<u>1,902</u>	<u>4,376</u>	(57%)	<u>5,446</u>	<u>9,395</u>	(42%)
Finance costs	(271)	(316)	(14%)	(537)	(682)	(21%)
Share of profit/(loss) of associated companies	91	(5)	N/M	84	(8)	N/M
Profit before income tax	<u>1,722</u>	<u>4,055</u>	(58%)	<u>4,993</u>	<u>8,705</u>	(43%)
Income tax	(497)	(532)	(7%)	(1,063)	(1,346)	(21%)
Profit after income tax	<u>1,225</u>	<u>3,523</u>	(65%)	<u>3,930</u>	<u>7,359</u>	(47%)
Attributable to:						
Equity holders of the Company	1,220	3,533	(65%)	3,918	7,401	(47%)
Non-controlling interests, net of income tax	5	(10)	N/M	12	(42)	N/M
	<u>1,225</u>	<u>3,523</u>	(65%)	<u>3,930</u>	<u>7,359</u>	(47%)

Statement of Comprehensive Income

	Group			Group		
	3 months ended 30 Jun			6 months ended 30 Jun		
	2015	2014	Change	2015	2014	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit after income tax	1,225	3,523	(65%)	3,930	7,359	(47%)
<u>Other comprehensive income</u>						
Foreign currency translation	(401)	(34)	(1079%)	(16)	(207)	(92%)
	<u>(401)</u>	<u>(34)</u>	<u>(1079%)</u>	<u>(16)</u>	<u>(207)</u>	<u>(92%)</u>
Total comprehensive income	<u>824</u>	<u>3,489</u>	<u>(76%)</u>	<u>3,914</u>	<u>7,152</u>	<u>(45%)</u>
Attributable to:						
Equity holders of the Company	822	3,497	(76%)	3,905	7,194	(46%)
Non-controlling interests, net of income tax	2	(8)	N/M	9	(42)	N/M
	<u>824</u>	<u>3,489</u>	<u>(76%)</u>	<u>3,914</u>	<u>7,152</u>	<u>(45%)</u>

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

	Note	Group			Group		
		3 months ended 30 Jun			6 months ended 30 Jun		
		2015	2014	Change	2015	2014	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other Income	1	274	391	(30%)	659	810	(19%)
Interest Income	2	18	27	(33%)	37	126	(71%)
Interest on borrowings	3	(271)	(317)	(14%)	(537)	(683)	(21%)
Depreciation	4	(1,157)	(1,284)	(10%)	(2,328)	(2,582)	(10%)
Fixed assets written off		(3)	(4)	(25%)	(5)	(13)	(62%)
Gain/(loss) on disposal of fixed assets	5	16	(35)	NM	19	(4)	NM
Amortisation of intangible assets	6	(123)	(318)	(61%)	(204)	(1,160)	(82%)
Bad debts expense		(5)	-	NM	(6)	-	NM
(Allowance)/ write-back on allowance for doubtful debts	7	(279)	36	NM	(339)	28	NM
(Allowance)/Write-back on allowance for stock obsolescence	8	(134)	(65)	106%	(194)	45	NM
Stock written back/(written off)	9	4	(62)	NM	(27)	(97)	(72%)
Foreign exchange (loss)/gain	10	(328)	56	NM	(535)	(9)	5844%

- 1) The decrease was largely due to lower service income.
- 2) The decrease was mainly due to repayment of shareholder loan extended to an associated company for its property development business.
- 3) The decrease was in line with lower term loan and trust receipts.
- 4) The decrease was in line with lower fixed assets.
- 5) The decrease was mainly due to higher gain was accounted on the disposed assets.
- 6) The decrease was mainly due to lower Group amortisation in relation the fair value of Hetat's order book at acquisition as required by FRS 103 as substantial portion of the amortisation in relation to the order book had been recognized accordingly in prior year based on the progress of the order book.
- 7) The increase was mainly due to more doubtful debts were noted and required to be provided.
- 8) The increase was mainly due to more obsolete stocks were noted and required to be provided.
- 9) The decrease was mainly due to lesser obsolete stocks required to be written off.
- 10) The increase was mainly due to stronger US\$ against S\$ and other regional currencies.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30 Jun 2015 S\$'000	31 Dec 2014 S\$'000	30 Jun 2015 S\$'000	31 Dec 2014 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	38,094	39,748	11,466	12,181
Subsidiary companies	-	-	94,628	95,028
Associated companies	4,611	4,527	3,177	3,177
Financial assets, available-for-sale	18,162	18,162	15,289	15,289
Membership rights	125	125	-	-
Intangible assets	418	622	-	-
Goodwill	37,177	37,177	-	-
Other receivables	692	612	-	-
	<u>99,279</u>	<u>100,973</u>	<u>124,560</u>	<u>125,675</u>
Current Assets				
Stock and work-in-progress	31,248	31,553	-	-
Trade receivables	60,491	67,852	1,707	5,614
Amount due from related parties	-	-	15,064	14,209
Other receivables	14,525	14,068	7,207	7,337
Loan to related party	600	600	-	-
Fixed deposits	3,548	3,532	1,525	1,523
Cash and bank balances	32,060	35,596	819	3,525
	<u>142,472</u>	<u>153,201</u>	<u>26,322</u>	<u>32,208</u>
Total Assets	<u>241,751</u>	<u>254,174</u>	<u>150,882</u>	<u>157,883</u>
LIABILITIES				
Current Liabilities				
Trade payables and accruals	22,832	29,312	824	1,839
Other payables	3,556	3,457	330	667
Amount due to related parties	-	-	4,924	9,028
Term loans	636	1,377	-	-
Other amounts due to bankers	56,771	59,821	1,699	3,807
Hire purchase creditors	259	292	-	-
Provision for taxation	3,420	3,907	-	94
	<u>87,474</u>	<u>98,166</u>	<u>7,777</u>	<u>15,435</u>
Non-current Liabilities				
Hire purchase creditors	203	258	-	-
Deferred taxation	3,442	3,503	1,084	1,084
	<u>3,645</u>	<u>3,761</u>	<u>1,084</u>	<u>1,084</u>
Total Liabilities	<u>91,119</u>	<u>101,927</u>	<u>8,861</u>	<u>16,519</u>
EQUITY				
Share capital	143,635	143,625	143,635	143,625
Treasury shares	(3,226)	(3,226)	(3,226)	(3,226)
Asset revaluation reserve	2,508	2,508	2,874	2,874
Foreign currency translation reserve	1,159	1,172	-	-
Other reserve	(16,687)	(16,687)	-	-
Revenue reserve/(accumulated losses)	21,617	23,358	(1,262)	(1,909)
	<u>149,006</u>	<u>150,750</u>	<u>142,021</u>	<u>141,364</u>
Non-controlling interests	1,626	1,497	-	-
Total Equity	<u>150,632</u>	<u>152,247</u>	<u>142,021</u>	<u>141,364</u>
Total Liabilities and Equity	<u>241,751</u>	<u>254,174</u>	<u>150,882</u>	<u>157,883</u>

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

	30-Jun-15 S\$'000	31-Dec-14 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	57,666	61,490
Unsecured	-	-
	57,666	61,490
Amount Repayable after one year, or on demand		
Secured	203	258
Unsecured	-	-
	203	258

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\$29.0 million.
- (ii) A mortgage in-escrow and deed of assignment over 9 Jalan Pesawat, fixed and floating charge over all present and future undertakings, property assets, revenues and right of TAT Petroleum Pte Ltd ("TAT Petroleum"), corporate guarantee of S\$120.0 million and fixed deposit of S\$1.5 million and S\$1.1 million by the Company and TAT Petroleum respectively for banking facility (including foreign exchange spot and forward) extended to TAT Petroleum of approximately S\$166.0 million;
- (iii) TAT Petroleum's corporate guarantee of approximately S\$3.4 million and fixed deposits of S\$0.5 million by TAT Petroleum (HK) Pte Limited ("TAT HK") for banking facilities extended to TAT HK of approximately S\$3.4 million;
- (iv) Corporate guarantee of S\$3.8 million for banking facilities (including foreign exchange spot and forward) extended to Axxmo International Pte Ltd of approximately S\$6.3 million (including foreign exchange spot and forward);
- (v) A mortgage in-escrow and deed of assignment over 19 Tuas Avenue 20, corporate guarantee of S\$14 million by the Company and Corporate guarantee of S\$2 million by Hetat Engineering Construction Sdn Bhd for banking facilities (including foreign exchange spot and forward) extended to Hetat Pte Ltd of approximately S\$21.5 million;
- (vi) Fixed assets under hire purchase arrangements.

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

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Operating Activities				
Profit before income tax	1,722	4,055	4,993	8,705
Adjustments for:				
Depreciation	1,157	1,284	2,328	2,582
Fixed assets written off	3	4	5	13
Amortisation of intangible assets	123	318	204	1,160
(Gain)/loss on disposal of fixed assets	(16)	35	(19)	4
Interest on borrowings	271	317	537	683
Interest income	(18)	(27)	(37)	(126)
Share of loss of associated companies	(91)	5	(84)	8
Allowance/(write back on allowance) for doubtful debts	279	(36)	339	(28)
Allowance/(Write-back on allowance) for stock obsolescence	134	65	194	(45)
Dividend income	(127)	-	(127)	-
Bad debts expense	5	-	6	-
Stock (written back)/written off	(4)	62	27	97
Net foreign currency translation adjustments	1,431	(30)	1,005	(202)
	<u>4,869</u>	<u>6,052</u>	<u>9,371</u>	<u>12,851</u>
Operating cash flow before working capital changes				
Changes in working capital				
Inventories and work-in-progress	(1,386)	(1,304)	84	2,168
Receivables	2,061	(11,354)	6,641	(16,866)
Payables	963	12,301	(6,393)	10,383
Cash generated from operations	<u>6,507</u>	<u>5,695</u>	<u>9,703</u>	<u>8,536</u>
Interest paid	(271)	(316)	(537)	(682)
Interest received	11	21	24	29
Income tax payment	(1,249)	(1,315)	(1,609)	(1,338)
Net cash generated from operating activities	<u>4,998</u>	<u>4,085</u>	<u>7,581</u>	<u>6,545</u>
Cash Flows from Investing Activities				
Dividend received	127	-	127	-
Purchase of property, plant and equipment	(378)	(288)	(710)	(435)
Proceeds from disposal of property, plant and equipment	37	42	40	499
Loan repayment by an associated company	-	-	-	10,500
Acquisition of other investment	-	-	-	(1,000)
Proceeds from lease shortfall	-	425	-	425
Cashflow on acquisition of subsidiary (net of cash)	-	-	-	(27,194)
Net cash (used in)/generated from investing activities	<u>(214)</u>	<u>179</u>	<u>(543)</u>	<u>(17,205)</u>
Cash Flows from Financing Activities				
Net proceeds from issue of shares	10	-	10	35,171
Dividends paid	(5,659)	(5,659)	(5,659)	(5,659)
Fixed deposit pledges with bank	11	-	(15)	4
Fund from/(repayment to) hire purchase	2	(121)	(89)	(337)
Repayment to term loan	(344)	(1,896)	(741)	(5,262)
Repayment to trusts receipts	(5,939)	(1,653)	(3,985)	(16,468)
Capital contribution from non-controlling interest	120	-	120	-
Net cash used in financing activities	<u>(11,799)</u>	<u>(9,329)</u>	<u>(10,359)</u>	<u>7,449</u>
Net foreign currency translation adjustments	424	(86)	(214)	(93)
Net decrease in cash and cash equivalents	<u>(6,591)</u>	<u>(5,151)</u>	<u>(3,535)</u>	<u>(3,304)</u>
Cash and cash equivalents at the beginning of the period	<u>38,676</u>	<u>49,911</u>	<u>35,620</u>	<u>48,064</u>
Cash and cash equivalents at the end of the period	<u>32,085</u>	<u>44,760</u>	<u>32,085</u>	<u>44,760</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	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 2015	143,625	(3,226)	2,508	(16,687)	1,172	23,358	150,750	1,497	152,247
Comprehensive income	-	-	-	-	(13)	3,918	3,905	9	3,914
Exercise of warrants	10	-	-	-	-	-	10	-	10
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	120	120
Balance at 30 June 2015	143,635	(3,226)	2,508	(16,687)	1,159	21,617	149,006	1,626	150,632
Balance at 01 January 2014	94,953	(3,226)	2,490	(16,687)	941	13,347	91,818	1,517	93,335
Comprehensive income	-	-	-	-	(207)	7,401	7,194	(42)	7,152
Allotment and issue of new ordinary shares to fund the acquisition of a company	13,500	-	-	-	-	-	13,500	-	13,500
Allotment and issue of new ordinary shares as consideration share for the acquisition of a company	36,024	-	-	-	-	-	36,024	-	36,024
Share issue expense	(852)	-	-	-	-	-	(852)	-	(852)
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Balance at 30 June 2014	143,625	(3,226)	2,490	(16,687)	734	15,089	142,025	1,475	143,500
Company									
Balance at 01 January 2015	143,625	(3,226)	2,874	-	-	(1,909)	141,364	-	141,364
Exercise of warrants	10	-	-	-	-	-	10	-	10
Comprehensive income	-	-	-	-	-	6,306	6,306	-	6,306
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Balance at 30 June 2015	143,635	(3,226)	2,874	-	-	(1,262)	142,021	-	142,021
Balance at 01 January 2014	94,953	(3,226)	2,874	-	-	(12,483)	82,118	-	82,118
Allotment and issue of new ordinary shares to fund the acquisition of a company	13,500	-	-	-	-	-	13,500	-	13,500
Allotment and issue of new ordinary shares as consideration share for the acquisition of a company	36,024	-	-	-	-	-	36,024	-	36,024
Share issue expense	(852)	-	-	-	-	-	(852)	-	(852)
Comprehensive income	-	-	-	-	-	11,866	11,866	-	11,866
Dividends paid	-	-	-	-	-	(5,659)	(5,659)	-	(5,659)
Balance at 30 June 2014	143,625	(3,226)	2,874	-	-	(6,276)	136,997	-	136,997

- 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 issued and paid-up capital of the Company since 1 July 2014 to 30 Jun 2015 are as follows:-

<u>Ordinary shares</u>	<u>Number of shares</u>	<u>\$</u>
Issued and fully paid ordinary shares at 1 July 2014	625,561,178	143,624,719
Exercise of warrants	52,000	10,400
Issued and fully paid ordinary shares at 30 Jun 2015	<u>625,613,178</u>	<u>143,635,119</u>

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.

- 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.**

	<u>30-Jun-15</u>	<u>31-Dec-14</u>
Total number of shares (including treasury shares)	625,613,178	625,561,178
Less treasury shares	<u>(17,100,000)</u>	<u>(17,100,000)</u>
Total number of shares (excluding treasury shares)	<u>608,513,178</u>	<u>608,461,178</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 2014.

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 Jun		6 months ended 30 Jun	
	2015	2014	2015	2014
Profit per ordinary share for the financial year based on consolidated profit attributable to members of the Company (Basic and diluted)				
- Basic	0.20 cents	0.69 cents	0.65 cents	1.45 cents
-Diluted	0.19 cents	0.69 cents	0.60 cents	1.45 cents
Based on the weighted average number of shares (Basic)	605,861,354	511,574,756	605,861,354	511,574,756
Based on the weighted average number of shares (Diluted)	649,817,167	511,574,756	649,817,167	511,574,756

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 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
Net asset backing per ordinary share	24.49 cents	24.78 cents	23.34 cents	23.23 cents
Based on the number of shares in issue, excluding treasury shares	608,513,178	608,461,178	608,513,178	608,461,178

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

The Group registered a marginal growth of 1.2% year-on-year increase in revenue to S\$95.0 million but a 65.5% year-on-year decrease in net profit attributable to equity holders to S\$1.2 million for the second quarter results ended 30 June 2015 ("2Q15").

For the six months ended 30 June 2015 ("1H15"), the Group's revenue increased by 37.2% year-on-year from S\$179.1 million to S\$245.8 million but net profit attributable to equity holders decreased by 47.1% year-on-year from S\$7.4 million to S\$3.9 million.

Except for Refined Petroleum ("RP") segment which registered a growth in Net Profit in 2Q15 and 1H15, both Corrosion Prevention ("CP") and Structural Steel and Facade ("SSF") segments recorded a drop in net profit.

While the Group saw stronger net contribution from the RP segment which stemmed from its Distribution business, the other two core businesses, however, continued to be undermined by the slowdown in the industries and uncertainties of the macro business environment.

As at 30 June 2015, the Group maintained a strong financial position with cash and fixed deposits of S\$35.6 million. Net gearing maintained at around 0.15 times (31 December 2014: 0.15 times).

Revenue

The Group's revenue increased marginally by 1.2% to S\$95.0 million in 2Q15, compared with S\$93.9 million in the previous corresponding period. This was mainly due to higher revenue contribution from RP segment, which was partially offset by lower revenue contributions from CP and SSF segments.

For 1H15, the Group registered 37.2% growth in total revenue to S\$245.8 million. This was mainly driven by significant sales growth in RP segment which was partially offset by lower revenue contributions from CP and SSF segments.

CP segment

Revenue for CP segment declined by 43.6% to S\$5.5 million in 2Q15, compared with S\$9.8 million in 2Q14. The lower revenue for 2Q15 was mainly due to the continued challenging and competitive business environment.

For 1H15, revenue decreased by 41.0% to S\$10.7 million, from S\$18.2 million in 1H14. The slowdown in the offshore and marine sector following the steep fall in oil prices as well as the slowdown in the construction and infrastructure industries, continued to undermine the business activities in CP segment.

RP segment

Revenue for the RP segment rose by 17.9% from S\$70.6 million in 2Q14 to S\$82.6 million in 2Q15. The growth was mainly driven by higher volume under the Trading business as a result of increase in trading scale (products range and counter parties).

For 1H15, revenue surged 61.2% to S\$222.0 million, from S\$137.7 million in 1H14. The significant growth was mainly driven by higher sales volume under the Trading business as a result of increase trading scale (products range and counter parties) and a new customer secured in the region in Q115.

SSF segment

Revenue for SSF segment decreased by 53.2% from S\$13.2 million in 2Q14 to S\$6.2 million in 2Q15, as the business activities in the domestic construction sector continued to slow during the quarter.

For 1H15, revenue slipped 46.2% to S\$12.2 million from S\$22.8 million in 1H14. The decrease was mainly due to slowdown in the domestic construction sector..

Gross Profit and Gross Margin

The Group's gross profit in 2Q15 declined by 14.8% year-on-year to S\$12.8 million from S\$15.0 million in 2Q14, undermined by lower contribution from CP and SSF segments which partially lifted by higher contribution from RP segment. The composite gross margin for 2Q15 was lower at 13.5% from 16.0% in 2Q14.

For 1H15, the Group's gross profit decreased by 14.2% year-on-year to S\$26.4 million from S\$30.8 million in 1H14. The decrease was mainly attributable to lower contribution from CP and SSF segments which partially lifted by higher contribution from RP segment. The composite gross margin declined from 17.2% in 1H14 to 10.7% in 1H15.

CP segment

CP segment's gross profit declined by 53.8% and 61% to S\$1.6 million in 2Q15 and S\$2.6 million in 1H15, respectively. The significant slowdown in orders undermined by the uncertainties in the oil & gas sector and construction and infrastructure industries, and intense competition resulted in lower revenue, which also saw gross margin decline from 35.0% in 2Q14 to 28.7% in 2Q15, and 37.2% in 1H14 to 24.6% in 1H15.

RP segment

Gross profit for RP segment increased by 13.6% and 19.2% to S\$9.8 million in 2Q15 and S\$20.9 million in 1H15, mainly driven by higher gross profit contribution from Distribution business as a result of higher gross margin despite lower volume which partially negated by lower gross profit contribution from Trading Business following significantly lower gross margin registered despite surge in volume.

Gross margin in 2Q15 declined marginally from 12.2% to 11.9%, while gross margin for 1H15 declined to 9.4% from 12.8% in 1H14. This was due to the surge in trading business volume which typically commands lower gross margin in nature despite an improved gross margin registered by the distribution business that driven by time lag effect between the selling price adjustment as a result of drop in crude oil prices.

SSF segment

Gross profit for SSF segment slipped by 51.9% from S\$2.7 million in 2Q14 to S\$1.3 million in 2Q15 while gross profit decreased by 57.4% from S\$6.0 million in 1H14 to S\$2.6 million in 1H15. This was due to lower revenue generated amid the slowdown in activities in the construction sector and intense competition, which also saw gross margin eroded from 22% in 2Q14 to 21.3% in 2Q15 and 27.5% in 1H14 to 21.4% in 1H15.

Other Income

Other income increased by 13.6% year-on-year from S\$0.3 million in 2Q14 to S\$0.4 million in 2Q15 largely due to dividend received from an investment available for sale and higher rebate received by RP segment from its principal which partially offset by lower service income from SSF segment following the commencement of the plant redevelopment project.

For 1H15, other income decreased by 9.7% to S\$0.8 million from S\$0.9 million in 1H14. The decline was due to lower service income from SSF segment following the commencement of the plant redevelopment project which partly lifted by dividend received from an investment available for sale and higher rebate received by RP segment from its principal.

Selling, Distribution, Administrative and Other Operating Expenses

Total operating expenses increased marginally by 2.8% year-on-year from S\$11.0 million in 2Q14 to S\$11.3 million in 2Q15. This was mainly due to higher Administrative and Other expenses which partly lifted by lower Selling and Distribution expenses.

The increase in Administrative and Other expenses was largely attributable to higher personal related expenses and accrual of operating expenses for RP segment to support business development, partly lifted by lower Group amortisation and additional depreciation related to the fair value of SSF segment's order book and revaluation of property as required by FRS 103 as substantial portion of the amortisation had been recognised in last year based on the progress of the projects. In line with the lower business volume from the RP segment's Distribution business, CP and SSF segments, lower Selling and Distribution expenses were accounted.

For 1H15, total operating expenses declined by 2.3% year-on-year to S\$21.8 in 1H15 from S\$22.3 million in 1H14. This was mainly due to lower Selling and Distribution and Other expenses which partly offset by higher Administrative Expenses.

The decrease in Selling and Distribution expenses was in line with lower business volume from the RP segment's Distribution business, CP and SSF segments. As for Other expenses, the decrease was due to lower Group amortisation and additional depreciation related to the fair value of SSF segment's order book and revaluation of property as required by FRS 103 as substantial portion of the amortisation had been recognised in last year based on the progress of the project, which was partially offset by higher accrual of operating expenses for RP segment to support business expansion plan. The increase in Administrative expenses was largely due to the increase in personal related expenses of RP segment to support business development.

Finance Costs

Finance costs was lower at S\$0.2million in 2Q15, decreased by 14.2% compared with S\$0.3 million in 2Q14 which was in line with lower term loan and trust receipt.

Financial Position and Cash Flow Analysis

As at 30 June 2015, the Group had cash and cash equivalents amounting to S\$32.1 million. Net gearing was maintained at 0.15 times as at 30 June 2015, compared with 0.15 times as at 31 December 2014.

Non-current assets were lower marginally from S\$101.0 million as at 31 December 2014 to S\$99.3 million as at 30 June 2015. This was mainly due to amortisation of fair value of SSF segment's order book and depreciation charge during the period.

Current assets decreased to S\$142.5 million as at 30 June 2015 from S\$153.2 million as at 31 December 2014. This was primarily due to decrease in working capital balances of CP and SSF which were in line with lower business activities.

Current liabilities as at 30 June 2015 decreased to S\$87.5 million from S\$98.2 million as at 31 December 2014. This was mainly due to a decrease in working capital balances of CP and SSF which were in line with lower business activities.

Long-term liabilities as at 30 June 2015 was marginally lower at S\$3.6 million with lower deferred taxation and repayment of hire purchase creditors.

Shareholders' equity decreased marginally to S\$149.0 million as at 30 June 2015 from S\$150.8 million as at 31 December 2014. The decrease was largely attributed to lower revenue reserve arising from profit attributable to equity holders in 1H15 following a dividend of S\$5.7 million was paid which partially lifted by comprehensive income generated during the period.

During 2Q15, the Group generated net cash of S\$5.0 million from operating activities after deducting S\$1.6 million for working capital used for inventory, trade receivables and payables, and S\$1.5 million for interest and income tax payments.

Net cash used in investing activities amounted to S\$0.2 million in 2Q15, mainly due to the purchase of property, plant and equipment but net off with dividend received from investment in an asset available for sale.

Net cash used in financing activities in 2Q15 was S\$11.8 million, mainly due to the payment of dividends and repayment of trust receipts.

After taking into account net foreign currency translation adjustments, the Group recorded a net decrease in cash equivalents of S\$6.6 million to S\$32.1 million for 2Q15.

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 March 2015.

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 the macro business environment to continue to be challenging amid the anticipated slowdown in both the domestic and global economies, intense competition and depressed oil prices and this will impact on the operating performance of the Group.

Barring unforeseen circumstances, the Group is cautiously optimistic to remain profitable going forward. The Group will continue to pursue business opportunities to enhance its three core businesses – CP, RP and SSF segments, while strengthening its operation efficiency and sharpening its competitiveness.

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 three interested person transactions during the three months ended 30 June 2015 but none of the individual transaction is above S\$100k. 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 2Q15 financial statements to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Group CEO
12 August 2015