

SHS Holdings Ltd.

(Company Registration No. 197502208Z)

Unaudited Financial Statement Announcement for the Second Quarter 2019

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

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

	Group 3 months ended 30 Jun			Group 6 months ended 30 Jun		
	2019 S\$'000	2018 S\$'000	Change %	2019 S\$'000	2018 S\$'000	Change %
<u>Continuing Operations</u>						
Revenue	5,729	8,520	(33%)	10,351	21,875	(53%)
Cost of sales and services	(5,291)	(7,234)	(27%)	(10,063)	(18,745)	(46%)
Gross profit	438	1,286	(66%)	288	3,130	(91%)
Other income	592	830	(29%)	998	1,266	(21%)
Selling and distribution expenses	(190)	(388)	(51%)	(370)	(569)	(35%)
Administrative expenses	(2,228)	(2,313)	(4%)	(4,074)	(3,800)	7%
Other operating expenses	(1,951)	(806)	142%	(3,518)	(2,844)	24%
Loss from operations	(3,339)	(1,391)	140%	(6,676)	(2,817)	137%
Finance costs	(419)	(160)	162%	(618)	(206)	200%
Share of loss of associated companies	76	169	(55%)	74	123	(40%)
Share of profit of joint ventures	-	23	(100%)	-	58	(100%)
Loss before income tax	(3,682)	(1,359)	171%	(7,220)	(2,842)	154%
Income tax	(20)	2	N/M	7	7	0%
Loss from continuing operations after tax	(3,702)	(1,357)	173%	(7,213)	(2,835)	154%
<u>Discontinued operations #</u>						
Profit from discontinued operations after tax	-	-	N/M	-	101	(100%)
Loss after income tax	(3,702)	(1,357)	173%	(7,213)	(2,734)	164%
Attributable to:						
Equity holders of the Company						
- Continuing Operations	(2,875)	(752)	282%	(5,685)	(2,011)	183%
- Discontinued Operations	-	-	N/M	-	101	(100%)
	(2,875)	(752)	282%	(5,685)	(1,910)	198%
Non-controlling interests, net of income tax						
- Continuing Operations	(827)	(605)	37%	(1,528)	(824)	85%
- Discontinued Operations	-	-	N/M	-	-	N/M
	(827)	(605)	37%	(1,528)	(824)	85%
	(3,702)	(1,357)	173%	(7,213)	(2,734)	164%

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

Statement of Comprehensive Income

	Group 3 months ended 30 Jun			Group 6 months ended 30 Jun		
	2018	2017	Change	2019	2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss after income tax	(3,702)	(1,357)	173%	(7,213)	(2,734)	164%
<u>Other comprehensive (expense)/ income</u>						
Foreign currency translation	27	393	(93%)	(69)	(509)	(86%)
	<u>27</u>	<u>393</u>	<u>(93%)</u>	<u>(69)</u>	<u>(509)</u>	<u>(86%)</u>
Total comprehensive loss	<u>(3,675)</u>	<u>(964)</u>	<u>281%</u>	<u>(7,282)</u>	<u>(3,243)</u>	<u>125%</u>
Attributable to:						
Equity holders of the Company	(2,875)	(408)	605%	(5,767)	(2,228)	159%
Non-controlling interests, net of income tax	(800)	(556)	44%	(1,515)	(1,015)	49%
	<u>(3,675)</u>	<u>(964)</u>	<u>281%</u>	<u>(7,282)</u>	<u>(3,243)</u>	<u>125%</u>

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

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

	Note	Group 3 months ended 30 Jun			Group 6 months ended 30 Jun		
		2019	2018	Change	2019	2018	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Other Income	1	334	601	(44%)	668	962	(31%)
Dividend income		36	66	(45%)	36	66	(45%)
Interest Income	2	59	100	(41%)	122	184	(34%)
Interest on borrowings	3	(419)	(114)	268%	(618)	(160)	286%
Depreciation of property, plant and equipments	4	(1,122)	(1,009)	11%	(2,303)	(2,415)	(5%)
Property, plant and equipment written off		(1)	(6)	(83%)	(1)	(7)	(86%)
(Loss)/gain on disposal of fixed assets	5	163	(17)	(1059%)	172	(26)	(762%)
Foreign exchange gain/(loss)	6	(446)	855	(152%)	(615)	80	(869%)

- 1) The decrease in other income was mainly due to lower scrap income and no more PIC grant in the current period.
- 2) The decrease was largely due to lower surplus cash available for fixed deposit placement.
- 3) The increase was mainly due to higher borrowings from the E&C segment.
- 4) The decrease was mainly due to some assets fully depreciated in CP segment and depreciation charge to TLC project WIP not yet expenses off.
- 5) The gain on disposal mainly due to sales of unutilised machine with market value.
- 6) The increase in exchange loss was mainly due to higher unrealized exchange loss from the depreciation of US\$ as compared to same period last year.

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

	Group		Company	
	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000	30 Jun 2019 S\$'000	31 Dec 2018 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	90,096	91,530	102	134
Investment property	-	-	12,642	13,228
Investment in subsidiary companies	-	-	44,747	44,747
Investments in associated companies	1,376	1,302	-	-
Other Financial Assets	23,745	23,840	22,686	22,686
Goodwill	16,850	16,850	-	-
Other receivable and prepayments	7,934	7,990	7,934	7,990
Prepaid land lease	5,984	6,303	-	-
	145,985	147,815	88,111	88,785
Current Assets				
Prepaid land lease	185	187	-	-
Inventories	10,010	7,849	-	-
Land held for development	5,708	5,591	-	-
Contract assets	20,200	19,362	68	86
Trade receivables	9,640	9,286	-	-
Amount due from subsidiaries	-	-	92,226	90,121
Amount due from joint ventures	-	-	-	-
Other receivables and prepayments	8,143	10,097	80	129
Fixed deposits	15,414	20,030	15,414	20,030
Cash and bank balances	11,782	9,860	2,855	579
	81,083	82,262	110,643	110,945
Assets held for sale	6,634	6,299	-	-
	87,717	88,561	110,643	110,945
Total Assets	233,702	236,376	198,754	199,730
LIABILITIES				
Current Liabilities				
Trade payables and accruals	11,866	10,893	265	268
Contract liabilities	9,102	5,037	-	-
Other payables	9,837	7,713	280	307
Amount due to related parties	-	-	314	776
Term loans	5,409	4,878	-	-
Other amounts due to associates	-	801	-	-
Other amounts due to bankers	1,045	3,147	-	-
Hire purchase creditors	30	59	-	-
Provision for taxation	600	608	-	-
	37,889	33,136	859	1,351
Liabilities directly associated with the assets held for sale	3	29	-	-
	37,892	33,165	859	1,351
Non-current Liabilities				
Term loans	12,959	13,062	-	-
Hire purchase creditors	49	49	-	-
Deferred taxation	3,490	3,507	1,802	1,802
	16,498	16,618	1,802	1,802
Total Liabilities	54,390	49,783	2,661	3,153
EQUITY				
Share capital	160,637	160,637	160,637	160,637
Treasury shares	(5,003)	(5,003)	(5,003)	(5,003)
Asset revaluation reserve	7,456	7,456	8,582	8,582
Foreign currency translation reserve	(635)	(553)	-	-
Other reserve	-	-	3,297	3,297
Fair Value reserve	(1,145)	(1,145)	(1,453)	(1,453)
Retained earnings	21,225	26,910	30,033	30,517
	182,535	188,302	196,093	196,577
Non-controlling interests	(3,223)	(1,709)	-	-
Total Equity	179,312	186,593	196,093	196,577
Total Liabilities and Equity	233,702	236,376	198,754	199,730

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

	30-Jun-19 S\$'000	31-Dec-18 S\$'000
Amount Repayable in one year or less, or on demand		
Secured	6,484	8,085
Unsecured	-	-
	6,484	8,085
Amount Repayable after one year, or on demand		
Secured	13,008	13,111
Unsecured	-	-
	13,008	13,111

Details of any collateral

The credit facilities of the Group were secured by the following:

- i) A mortgage in-escrow and deed of assignment over 81 Tuas South Street 5, and a mortgage in-escrow and deed of assignment over 19 Tuas Avenue 20, corporate guarantee of S\$41.10 million by the Company extended to Hetat Pte Ltd for banking facilities of approximately S\$23.68 million and US\$12 million;
- ii) A mortgage in-escrow and deed of assignment over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu. Daerah Pontian, Johor, Malaysia, corporate guarantee by the Company of 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 for S\$5.75 million by the Company for banking facility extended to Sinenergy Holdings Pte Ltd of approximately S\$5 million;
- iv) A corporate guarantee of US\$1.3 million for banking facilities extended to Aenergy Holdings Company Limited of approximately US\$5.2 million; and
- v) Fixed assets under hire purchase arrangements.

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

	Group		Group	
	3 months ended 30 Jun		6 months ended 30 Jun	
	2019	2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Cash Flows from Operating Activities				
Loss before income tax from continuing operations	(3,682)	(1,359)	(7,220)	(2,842)
Profit before income tax from discontinued operations	-	-	-	101
Loss before income tax, total	(3,682)	(1,359)	(7,220)	(2,741)
Adjustments for:				
Depreciation of property, plant and equipments	1,124	1,010	2,306	2,416
Property, plant and equipment written off	1	6	1	7
Amortisation of prepaid landlease	72	43	143	43
(Loss)/gain on disposal of property, plant and equipments	(163)	17	(172)	26
Interest on borrowings	419	160	618	206
Interest income	(59)	(100)	(122)	(184)
Share of profit of joint ventures	-	(24)	-	(58)
Share of loss of associated companies	(76)	(168)	(74)	(123)
Gain on disposal of joint ventures	-	(238)	-	(238)
Allowance/(reversal) for doubtful debts	(9)	(20)	(9)	(20)
Dividend income	(36)	(66)	(36)	(66)
Inventories written back	(1)	(6)	(1)	(107)
Net foreign currency translation adjustments	32	56	129	280
Operating cash flow before working capital changes	(2,378)	(689)	(4,437)	(559)
Changes in working capital				
Inventories	(5,449)	(649)	(7,761)	50
Receivables and contract assets	810	2,729	9,044	3,916
Payables and contract liabilities	4,717	(260)	2,914	(5,096)
Cash (used in)/generated from operations	(2,299)	1,131	(240)	(1,689)
Interest paid	(419)	(160)	(618)	(206)
Interest received	59	100	122	184
Income tax payment	(35)	(38)	(19)	(207)
Net cash (used in)/generated from operating activities	(2,694)	1,033	(755)	(1,918)
Cash Flows from Investing Activities				
Dividend received from other investment	36	66	36	66
Purchase of property, plant and equipment	(145)	(358)	(219)	(1,605)
Purchase of land held for development	-	(0)	-	(6,410)
Loan repayment by Joint Venture	-	2,683	-	2,681
Reduction of other investment	-	323	96	323
Net (used in)/ generated from investing activities	(109)	2,714	(87)	(4,945)
Cash Flows from Financing Activities				
Dividends paid	-	(1,370)	-	(1,370)
Fund repayment to hire purchase	(15)	(32)	(30)	(69)
Drawdown of term loan	(254)	(343)	427	2,286
Drawdown/ (repayment) of trusts receipts	(988)	668	(2,102)	624
(Acquisition)/capital contribution from non-controlling interest	-	-	-	(676)
Increase in amount due to associates	(145)	-	(135)	822
Net cash used in financing activities	(1,402)	(1,077)	(1,840)	1,617
Effects of exchange rate changes on the balance of cash held in foreign currencies	2	144	(11)	76
Net (decrease)/increase in cash and cash equivalents	(4,203)	2,814	(2,693)	(5,170)
Cash and cash equivalents at the beginning of the period	31,399	41,123	29,889	49,107
Cash and cash equivalents at the end of the period	27,196	43,937	27,196	43,937

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital S\$'000	Treasury Share S\$'000	Revaluation Reserve S\$'000	Other Reserve S\$'000	Fair Value Reserve S\$'000	Foreign Currency Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000	Non-controlling Interests S\$'000	Total Equity S\$'000
Group										
Balance at 01 January 2019	160,637	(5,003)	7,456	-	(1,145)	(553)	26,910	188,302	(1,708)	186,594
Comprehensive income	-	-	-	-	-	(82)	(5,685)	(5,767)	(1,515)	(7,282)
Balance at 30 June 2019	160,637	(5,003)	7,456	-	(1,145)	(635)	21,225	182,535	(3,223)	179,312
Balance at 01 January 2018	160,637	(5,003)	7,456	-	-	671	39,559	203,320	2,938	206,258
Effect of adopting SFRS (I) 1	-	-	-	-	-	(897)	897	-	-	-
Adjustment on initial application of SFRS (I) 9 n	-	-	-	-	-	-	(1,007)	(1,007)	(17)	(1,024)
Balance at 01 January 2018 (restated)	160,637	(5,003)	7,456	-	-	(226)	39,449	202,313	2,921	205,234
Comprehensive income	-	-	-	-	-	(662)	(1,158)	(1,820)	(459)	(2,279)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(676)	(676)
Balance at 30 June 2018	160,637	(5,003)	7,456	-	-	(888)	38,291	200,493	1,786	202,279
Company										
Balance at 01 January 2019	160,637	(5,003)	8,582	3,297	(1,453)	-	30,517	196,577	-	196,577
Comprehensive income	-	-	-	-	-	-	(484)	(484)	-	(484)
Balance at 30 June 2019	160,637	(5,003)	8,582	3,297	(1,453)	-	30,033	196,093	-	196,093
Balance at 01 January 2018	160,637	(5,003)	8,582	3,297	-	-	40,910	208,423	-	208,423
Comprehensive income	-	-	-	-	-	-	(307)	(307)	-	(307)
Dividends paid	-	-	-	-	-	-	(1,370)	(1,370)	-	(1,370)
Balance at 30 June 2018	160,637	(5,003)	8,582	3,297	-	-	39,233	206,746	-	206,746

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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

	2019		2018	
	Number of shares	S\$	Number of shares	S\$
Ordinary shares				
As at beginning of financial year	710,620,712	160,636,626	710,620,712	160,636,626
Exercise of warrants	-	-	-	-
As at 30 June	710,620,712	160,636,626	710,620,712	160,636,626
Treasury shares				
As at beginning of financial year	25,490,900	5,003,269	25,490,900	5,003,269
Share buy-back	-	-	-	-
As at 30 June	25,490,900	5,003,269	25,490,900	5,003,269
Total shares excluding treasury shares as at 30 June	685,129,812	155,633,357	685,129,812	155,633,357

Pursuant to announcements made on 18 December 2014, 303,641,586 Warrants were issued on 17 December 2014, and listed and quoted on the Mainboard of SGX-ST with effect from 19 December 2014 at an exercise price of SGD0.20. The Warrants have a 5-year exercise period from the date of issue and it will expire on 17 December 2019.

At the end of the financial period, the unissued ordinary shares of the Company under warrants were 218,582,052.

There were no subsidiary holdings as at 30 June 2019 and 30 June 2018.

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

	30-Jun-19	31-Dec-18
Total number of shares (including treasury shares)	710,620,712	710,620,712
Less treasury shares	(25,490,900)	(25,490,900)
Total number of shares (excluding treasury shares)	685,129,812	685,129,812

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

- 1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been reviewed nor audited by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report including any qualifications or emphasis of matter

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements for the financial year ended 31 December 2018.

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

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

SFRS(I) 16 Leases

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

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

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

The Group does not expect the adoption of SFRS(I) 16 to have a significant impact on consolidated income statement. With the preliminary assessment, income statement impact is minimal which is approximately S\$32,000. For statement of financial position of the Group, ROU assets will increase by S\$5.1 million in relation to leasehold land which had previously been classified as 'operating leases' under the principles of FRS 17 Leases and lease liabilities will increase by S\$5.1 million by discounted using the Group's borrowing rate as of 1 January 2019. Subsequent to initial recognition, the Group depreciates the ROU assets over the remaining lease term and recognise interest expenses on the lease liabilities.

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	
	2019	2018	2019	2018
Continuing Operations				
Loss per ordinary share for the financial year based on consolidated (loss)/profit attributable to members of the Company (Basic and diluted)				
- Basic	(0.42) cents	(0.11) cents	(0.83) cents	(0.29) cents
- Diluted	(0.43) cents	(0.11) cents	(0.85) cents	(0.28) cents
Based on the weighted average number of shares (Basic)	685,129,812	685,127,863	685,129,812	685,127,863
Based on the weighted average number of shares (Diluted)	670,145,795	706,789,148	670,145,795	706,789,148

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 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net asset backing per ordinary share	26.64 cents	27.48 cents	28.62 cents	28.69 cents
Based on the number of shares in issue, excluding treasury shares	685,129,812	685,129,812	685,129,812	685,129,812

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

2Q19 Overview

For the second quarter ended 30 June 2019 ("**2Q19**"), the Group recorded a 33% drop in revenue to S\$5.7 million and a net loss attributable to equity holders of S\$2.9 million, 282% higher against the loss of S\$752,000 in 2Q18.

For the first half ended 30 June 2019 ("**1H19**"), the Group recorded a 53% decline in revenue to S\$10.4 million from S\$21.9 million and a net loss attributable to equity holders of S\$5.7 million from S\$2.0 million a year ago.

As at 30 June 2019, the Group's total equity was S\$182.5 million from S\$188.3 million as at 31 December 2018. The Group has cash and cash equivalents balance of S\$27.1 million. The Group is in a net cash position with low debt-to-total equity ratio of 10.3%.

Revenue from Continuing Operations

S\$'000	2Q19	2Q18	Change	YTD2Q19	YTD2Q18	Change
Corrosion Prevention ("CP")	3,364	3,356	0%	6,696	6,297	6%
Engineering & Construction ("E&C")	2,124	3,171	(33%)	3,179	12,200	(74%)
Solar Energy	76	1,795	(96%)	143	2,985	(95%)
Others	165	198	(17%)	333	392	(15%)
Total	5,729	8,520	(33%)	10,351	21,874	(53%)

The Group's revenue fell by 33% to S\$5.7 million in 2Q19, compared with S\$8.5 million for the corresponding period in 2018 driven by lower revenue for the E&C and Solar Energy segments.

E&C segment

Revenue for E&C segment fell by 33% to S\$2.1 million in 2Q19 from S\$3.2 million in 2Q18 due to the steel engineering segment. This was due to no significant project undertaken in the current quarter. No significant change for the Modular Construction business.

For 1H19, revenue for E&C segment declined by 74% against 1H18 due to timing as there were more delivery of larger scale projects, especially for the Engineering segment in the first half of 2018.

Solar Energy segment

Revenue for the Solar Energy segment fell to S\$76,000 in 2Q19 from S\$1.8 million in 2Q18 and S\$143,000 in 1H19 from S\$3.0 million in 1H18 as it did not secure any new EPC contracts in the current quarter.

CP segment

Revenue for CP segment maintained at S\$3.4 million in 2Q19 year-on-year but rose 6% for 1H19 to S\$6.7 million from S\$6.3 million. We are seeing return, albeit slowly, of confidence to the marine, offshore and construction sectors with increase in orders which resulted in the slightly improvement in revenue.

Gross Profit and Gross Margin

Gross Profit from Continuing Operations

S\$'000	2Q19	2Q18	Change	YTD2Q19	YTD2Q18	Change
CP	746	887	(16%)	1,466	1,699	(14%)
E&C	(315)	32	N/M	(1,080)	797	N/M
Solar Energy	(37)	289	N/M	(189)	484	N/M
Others	44	77	(43%)	91	150	(39%)
Total	438	1,286	(66%)	288	3,130	(91%)

For 2Q19, the Group's gross profit dropped by 66% to S\$0.4 million, compared with S\$1.3 million in 2Q18 and for 1H19, Group's gross profit decreased by 91% to S\$288,000 from S\$3.1 million in 1H18. The Group experienced decrease in all business segments.

E&C segment

E&C segment registered a gross loss of S\$0.3 million in 2Q19 and S\$1.1 million for 1H19. This was driven by low revenue adversely impacting the absorption of fixed operating overheads resulting in the gross operating loss.

Solar Energy segment

Solar Energy segment registered a gross loss of S\$37,000 in 2Q19 and S\$189,000 for 1H19 mainly due to the low business volume as explained above affecting the absorption of the fixed operating overheads.

CP segment

CP segment's gross profit dropped slightly to S\$0.7 million in 2Q19 from S\$0.8 million in 2Q18 and S\$1.5 million in 1H19 from S\$1.7 million in 1H18 on the back of lower CP services from the plant operations and increase in site operations with lower margin.

Other income decreased by 29% from S\$830,000 in 2Q18 to S\$592,000 in 2Q19 mainly due to lower service income and scrap material income from the E&C segment and lower interest income due to lower surplus cash placed in fixed deposits. For the same reasons, other income in 1H19 decreased to S\$1.0 million from S\$1.3 million in 1H18.

Selling, Distribution, Administrative and Other Operating Expenses

S\$'000	2Q19	2Q18	Change	YTD2Q19	YTD2Q18	Change
Selling & Distribution	190	388	(51%)	370	569	(35%)
Admin	2,228	2,313	(4%)	4,074	3,800	7%
Other OPEX	1,951	806	142%	3,518	2,843	24%
Total OPEX	4,369	3,507	25%	7,962	7,212	10%

Total OPEX increased by 25% year-on-year from S\$3.5 million in 2Q18 to S\$4.4 million in 2Q19, due to the unfavorable movement of the USD exchange rate in 2Q19, a key currency for the solar projects in Bangladesh and Vietnam and for the modular business and offset by decrease in administrative expenses and selling and distribution expenses.

Similarly, against 1H18, Total OPEX increased 10% in 1H19 mainly due to the unfavorable of movement in exchange rates and higher administrative costs in modular business.

Selling and distribution expenses decreased by 51% to S\$190,000 in 2Q19 and 35% in 1H19 mainly due to decrease in travelling and business development expenses as the Group rein in the costs on this area.

Administrative expenses were lower by 4% to S\$2.2 million in 2Q19 but increased by 7% in 1H19 to S\$4.1 million. The increase was mainly due to higher staff, office rental and office related costs for modular business.

Other operating expenses rose to S\$1.9 million in 2Q19 for the reason as explained above. For 1H19, other operating expenses increased by 24% to S\$3.5 million as 1H19 included an unrealized foreign exchange loss of S\$0.4million relating to the modular construction business.

Finance Costs

Finance costs were higher at S\$419,000 in 2Q19 and S\$618,000 in 1H19 arising from higher bank borrowings for the redevelopment of Hetat's factory and office building.

Share of Associates' Results

Share of gain of associated companies was reported in 2Q19 and 1H19 against a share of loss against the corresponding periods last year due to share of profit from Yokomori's business.

Financial Position and Cash Flow Analysis

Non-current assets decreased by S\$1.8 million from S\$147.8 million as at 31 December 2018 to S\$146 million as at 30 June 2019. This was mainly due to decrease in fixed assets of S\$1.8 million from the depreciation expense of S\$2.0 million for the half of the year offset partially by additions in capital expenditure of S\$1.6 million in Solar segment.

Current assets decreased by S\$0.8 million from S\$88.6 million as at 31 December 2018 to S\$87.7 million as at 30 June 2019. This was largely attributed to:

- Increase in inventories, contract assets and receivables of S\$3.3 million mainly due to increase in unbilled work for existing projects and slow payment from existing customers especially CP segments.
- Decrease in cash of S\$2.6 million mainly due to payment for supplier and projects spending and operating loss for the quarters.

Current liabilities of the Group increased by S\$4.7 million from S\$33.2 million as at 31 December 2018 to S\$37.8 million as at 30 June 2019. This was mainly due to:

- a) Increase in contract liabilities of S\$4.1 million due to advance payments received from customers for progress works on modular construction projects;
- b) 1st tranche of payment received from the disposal of Vietnam's solar project of S\$5.9 million;
- c) Offset by settlement of trade payables and accruals of S\$3.8 million and trust receipts of S\$2.0 million largely from the E&C segment;

Non-current liabilities remained unchanged at S\$16.5 million.

Shareholders' equity decreased by S\$5.8 million to S\$182.5 million as at 30 June 2019 from S\$188.3 million as at 31 December 2018. The decrease was largely attributed to the loss for the Group in the current quarter.

During 1H19, the Group recorded a net cash outflow of S\$2.7 million.

S\$0.8m was used to fund operating activities and S\$0.2 million for changes in working capital mainly due to working capital used for the modular construction currently in progress and the balance largely for funding the 1H19 operating loss.

Net cash used in investing activities amounted to S\$87,000 in 1H19 mainly due to the capital expenditures for the E&C segment but partially offset by money received from capital reduction and dividend in EVIA investment.

Net cash used in financing activities in 1H19 mainly for settlement of trust receipts of S\$2.0 million and drawn down of short-term loan of S\$0.4 million (net with repayment).

After taking into account the above net cash outflows and net foreign currency translation adjustments, the Group's cash and cash equivalents as at 30 June 2019 stood at S\$27.2 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 year ended 31 December 2018 and the Annual Report FY2018.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

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

For the E&C segment, the steel engineering business is faced with low business volumes for the first half of 2019 and construction and engineering works for sale contracts on hand will start mostly in the second half of 2019. We remain optimistic that our engineering steel business will be turning to a better position as we are securing more order books. For the modular construction business segment, as guided earlier, we will close out the loss-making projects and embarked in a moderate manner on new modular contracts. However, as the revenue recognition for these new modular contracts is realized only when the projects are completed, the business will continue to incur and charge high operating period costs and the resultant loss to be reported in the next few periods.

For the Solar Energy segment, amidst the competitive environment, the low business volumes for its roof-top projects in the current quarter is expected to see some improvements with new projects secured on hands. For our Bangladesh solar project, we are seeking further extension from the relevant government body to complete the project.

For the CP segment, higher business volumes are expected in the second half of 2019 with some confidence seen returning to the marine and offshore sector and more work orders from major shipyards. The Group will continue cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure while it focuses on diversifying its customer base.

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 and the reason(s) for the decision.

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

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

There were no interested person transactions during the three months ended 30 June 2019. The Group does not have a general mandate pursuant to Rule 920(1)(a)(ii).

14. Confirmation Pursuant to Rule 705(5) of the Listing Manual

We, Ng Han Kok, Henry and Teng Choon Kiat being two directors of SHS Holdings Ltd. (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 2Q19 financial statements to be false or misleading in any material respect.

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

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

BY ORDER OF THE BOARD

Ng Han Kok, Henry
Group CEO
14 August 2019